INDUSTRY UPDATE

Canadian Tire bid blocked

TORONTO — Ontario and Quebec securities regulators have blocked a dealer bid to acquire nearly half the common shares of Canadian Tire, Canada's largest hard lines retailer.

The takeover bid, worth close to $200 million and made by a CTC Dealers Holdings Ltd. representing 348 of the chain's 361 dealers, was for 49% of CT's common. It emerged after members of the Billes family, which founded the chain in 1922, tendered their 60.9% holdings (*NHCN*, Jan. 12). The dealers group already owns 17.9% of the company's stock.

The regulators stated that while the dealers' bid was structured for the acquisition of less than half of CT's voting shares (thereby circumventing a company bylaw that turns nonvoting stock into voting if half of its shares are sold), "in economic reality [it would be] a purchase of all the common shares in Canadian Tire . . . held by the Billeses." Representatives for the dealers and the Billeses could not be reached for comment.

Payless sales increase 9.9%

KANSAS CITY, Mo. — Payless Cashways reported revenues increased 9.9% to $1.5 billion for the year that ended Nov. 29, 1986. Earnings increased 11.2% to $42.4 million.

For the firm's fourth quarter, revenues increased 7.1% to $405.6 million. Net income declined 1.1% to $10.9 million.

Yardbird debuts new outlet

PETALUMA, Calif.—Yardbirds of California has opened a 36,000-sq.-ft. home center in this northern California city, marking the debut of the first build-to-suit outlet in the now six-unit chain's 12-year history.

President and founder John Headley said the store, which opened Dec. 22, has a 5,000-sq.-ft. outside nursery department in addition to 36,000 sq.ft. of under-roof selling space. Targeted first-year sales are $9 million with an 85/15 consumer-to-contractor customer ratio.

Yardbirds units in Alamo, San Pablo, San Rafael, Santa Rosa and Vallejo, Calif., rang up $33 million sales in 1986.

Zayre moves to drop stock suit

FRAMINGHAM, Mass. — Zayre Corp., the $4 billion parent of HomeClub, filed a motion to dismiss a stockholder's charges that the firm failed to disclose in a timely fashion some material financial information.

Filed Dec. 15, 1986, the motion is currently under consideration by Rya W. Zobel, the judge for the case at U.S. District Court, Boston.

The motion relates to a suit filed last summer by a stockholder who claimed the company had not announced early enough it would report disappointing results for the second quarter ending July 1986. (*NHCN*, Sept. 8, 1986).

Scott, Burpee taken private

MARYSVILLE, Ohio — O.M. Scott and W. Atlee Burpee, the two divisions of the lawn and garden group of ITT, were taken private by key management earlier this month. The price of $150 million was financed by Clayton & Dubilier, the New York investment firm. (*NHCN*, Jan. 12.)

Scott and Burpee achieve about $200 million in combined annual revenues.

Scott president Tadd C. Seitz said the new private firm would remain headquartered in Marysville, Ohio.

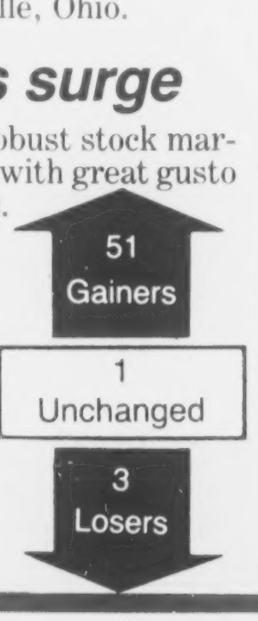
Home center stocks surge

NEW YORK — In sympathy with a robust stock market, home center issues charged forward with great gusto during the two week period ended Jan. 9.

Of the companies tracked by *NHCN*, 51 increased in price, while one remained unchanged and three declined.

Michigan General, parent of Diamond Lumber, led the rally, rising 30% to $1.63.

National Hardgoods Distributors rose 17.9% to $8.25, National Lumber rose 14.1% to $4.56, and Wolohan Lumber rose 12.5% to $9.00.



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Jim Gee Jr., back in the saddle with first four Sawhorse units

By an NHCN staff editor

LA GRANGE, Ill. — Sawhorse Home Centers, a new venture by Jim Gee, Jr., debuted here this month.

Last August, Gee broke from Gee Lumber,the century-old family business, when he acquired four of the company's 11 locations. Gee had served as president of Gee Lumber where his father continues as chairman. (*NHCN, Sept. 22, 1986).*

The split occurred because of a difference of opinion about certain aspects of the Gee Lumber operation. In an increasingly competitive market, Gee Jr., felt a need to be more competitive.

With Sawhorse Gee Jr., plans to institute:

- Market-sensitive pricing replacing what Gee Jr. said was the insular pricing of the Gee Lumber units;
- An increase in depth of assortment but a decrease in breadth with a range of perhaps 30,000 stock keeping units compared tot he 40,000 offered by Gee Lumber; and
- Tighter security, more retail store employees and better training.

Also, a Sawhorse Home Centers print ad campaign starting Feb. 1, and possible TV ads later in the year, are aimed at attracting female DIY customers in a market area dominated by contractor yards, Gee said.

The four Sawhorse stores are in south suburban Illinois locations and range in size from 10,000 sq. ft. to 30,000 sq. ft.

Grand reopenings at the LaGrange, Villa Park, Glen Ellyn and Broadview stores are slated for late spring.

Ties between Sawhorse and Gee Lumber continue, according to Gee, as some employees are shareholders in both.

In an unrelated development, Jim Gee Sr., acquired the 20,000-sq.-ft. Rory's Do-It Home Center, Hazel Crest, Ill., in November for an undisclosed sum.

Erb shareholders approve buyback

By an NHCN staff editor

BIRMINGHAM, Mich. — Erb Lumber shareholders approved a management proposal to acquire all of the firm's outstanding stock Dec. 29.

The action will create a privately held firm under the control of Fred A. Erb and certain other Erb family members.

The proposal calls for a merger of Erb Lumber into a corporation called Fredco, newly created to facilitate the transaction. The new company will continue to operate under the name Erb Lumber.

Stockholders will receive $17 per share of stock. A proxy mailed by the firm to stockholders noted that on the day prior to the announcement of management's intention to take the company private, the stock was trading at $14.50 per share.

Erb Lumber generated an estimated $240 million in revenues for the year ended last month. Most of that was from its lumber and building materials division, which operates wholesale and retail locations in six states. The company also operates a real estate division.

In detailing the reasons for its desire to take the company private, management cited several facets of the recent federal tax law changes.

The proxy to stockholders noted that in 1987 the maximum corporate tax rate will be higher than the maximum individual tax rate. If the company changes its form to an S Corporation, individuals are taxed rather than the company. Income will be taxed at the lower individual tax rate. Moreover, it will be taxed only once—at the individual rate—rather than twice, at both the corporate and individual rate.

In addition, the beneficial tax rates on capital gains will be eliminated. Further, distributed gains on sale of certain appreciated property will be taxable at both corporate and individual tax rates.

Funded by $60M credit line

The proxy also noted privately held firms are not required to disclose details about operations and finances, and stated such disclosure can serve to hamper negotiations in mergers or other transactions, as well as reveal data of use to competitors.

Erb said the total amount of funds necessary to acquire all of the stock of the firm should come to $21.2 million, most of which would be financed by loans from financial institutions.

Financing for the stock acquisition was obtained in the form of a $60 million credit line from Comerica Bank, Detroit. While only about a third of that will be needed for the stock acquisition, the remainder is intended to be used as required by ongoing operations.

Hinckley purchases Dutton's assets

By an NHCN staff editor

HYANNIS, Mass.— Independent Hinckley Home Centers last month acquired the assets of Dutton Home Center on the island of Martha's Vineyard, off Cape Cod, Mass.

This is Hinckley's first acquisition since the management bought the company from the Hinckley family one year ago. Hinckley's operates three units on Cape Cod at Hyannis, Harwich and Dennis, Mass.

It purchased Dutton's assets and inventory from its founder and owner David Dutton Sr., and paid cash. Dutton continues to own the real estate and has leased it to Hinckley Home Centers for seven years with an option to buy.

Dutton Home Centers, founded in 1976, is a predominantly contractor-based company operating from a 8,000-sq.-ft. retail showroom.

Hinckley's will immediately remodel and remerchandise the existing two-story unit. It will broaden the existing lines of the hardware department downstairs and the kitchen and bath showroom upstairs. In this way Hinckley's hopes to boost the retail trade to 40% from 20% of total sales by year end, with projected total volume of $4 million.

All former Dutton Home Center employees will be retained, with David Dutton Jr., staying on as assistant manager. Jim Sellar, formerly millwork and special-order buyer at Hinckley's, will be the unit's new store manager.

Everything's covered

Hinckley does not anticipate immediate future acquisitions. "We basically have the Cape covered now," said Fred Whelden, president and treasurer.

However, it is planning a $500,000 major remodeling and remerchandising of its Dennis store. It intends to tear down the existing store and warehouse and build a 10,000-sq.-ft. showroom to be completed in late spring. The Dennis store will have a complete kitchen and bath department and new product lines of ceramic tile and flooring.

The company appointed Ronald Durgin as its new kitchen and bath manager on January 1, to help oversee this new product development. Durgin was formerly with Mid-Cape Home Centers, Orleans, Mass., and later operated his own kitchen design business.

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BUSINESS WATCH

NHCN Leading Sales Indicator

*—Monthly retail trade building materials, hardware and supplies in (1982 $)

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales in the first half of 1987. Resales were strong during September and October of 1986, while single family housing starts will recover as interest rates decline.

Differences in local economies cause sales to vary by region

By Richard E. Mount
Special to NHCN

Employment prospects and building material sales will vary by region in 1987 due to differences in the composition of local economies. We expect building material sales, at the national level, to increase 11%. Sales adjusted for price increases will rise 6% in 1987 nationally, but the range among regions will be from a high of 11% in the East South Central states to a low of 1% in the West South Central.

Best markets

The strongest growth in building material sales during 1987 will occur in regions having a concentration of capital goods' production.

Richard E. Mount

The decline in the dollar, which began almost two years ago, makes U.S. producers more competitive at home and abroad. As domestic production and operating rates rise, firms will increase their spending on business equipment to avoid potential production bottlenecks in the future.

Interest rates are headed lower through the spring, making capital spending more attractive to manufacturers. The economies of capital goods' regions have been weak for most of the current recovery, and rapid rates of growth from a low level are easier to achieve.

The improvement in capital goods output will be good for the East North Central and East South Central regions.

Manufacturing, especially high technology, will do better in 1987. The lower dollar

(Continued on page 53)

Home Center Industry Regional Outlook

		1985		1986				1987				
		QIII	QIV	QI	QII	QIII	QIV	QI	QII	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		121.0	123.4	124.7	127.9	132.1	136.5	138.2	140.6	118.5	130.3	140.8
Building Material Retail Sales												
Current	$ Millions SAAR Total United States	53,736	56,976	61,180	62,580	63,108	62,846	65,169	67,271	53,841	62,428	68,992
	New England	3,238	3,477	3,492	3,854	4,210	3,871	4,001	4,117	3,038	3,857	4,220
	Middle Atlantic	7,408	8,306	8,324	8,926	9,261	8,698	8,993	9,263	7,269	8,802	9,485
	East North Central	8,603	9,048	8,096	9,699	10,014	10,036	10,460	10,831	8,381	9,461	11,119
	West North Central	3,841	4,000	3,541	4,049	4,413	4,343	4,490	4,628	3,747	4,086	4,752
	South Atlantic	10,868	11,837	13,871	13,442	12,394	13,097	13,594	14,053	11,262	13,201	14,420
	East South Central	3,056	3,182	3,513	3,633	3,757	3,764	3,956	4,104	2,964	3,667	4,222
	West South Central	5,822	6,041	6,817	6,355	5,975	6,109	6,308	6,485	6,090	6,314	6,646
	Mountain	2,620	2,763	3,256	2,962	2,997	3,086	3,200	3,296	2,674	3,075	3,377
	Pacific	8,281	8,322	10,269	9,659	10,087	9,842	10,166	10,494	8,377	9,964	10,750
Constant	Millions $1982 SAAR Total United States	51,144	53,749	57,422	60,401	60,049	58,800	60,370	61,700	51,035	59,168	62,936
	New England	3,082	3,280	3,460	3,781	3,741	3,622	3,707	3,776	2,882	3,651	3,850
	Middle Atlantic	7,051	7,836	7,916	8,450	8,335	8,138	8,331	8,496	6,894	8,210	8,653
	East North Central	8,188	8,536	9,193	9,568	9,542	9,390	9,689	9,934	7,950	9,423	10,143
	West North Central	3,656	3,773	4,104	4,210	4,173	4,063	4,159	4,245	3,554	4,138	4,335
	South Atlantic	10,344	11,167	11,613	12,521	12,478	12,254	12,593	12,889	10,682	12,217	13,154
	East South Central	2,909	3,002	3,266	3,533	3,549	3,522	3,664	3,764	2,812	3,468	3,851
	West South Central	5,541	5,699	6,221	6,040	5,945	5,715	5,844	5,948	5,777	5,980	6,063
	Mountain	2,494	2,607	2,800	2,929	2,936	2,887	2,964	3,023	2,536	2,888	3,080
	Pacific	7,882	7,851	8,849	9,368	9,350	9,208	9,418	9,625	7,946	9,194	9,807
Per Cent of U.S. Total												
Current	Per Cent of U.S. Total (SCurrent) Total United States	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	6.03	6.10	6.03	6.26	6.23	6.16	6.14	6.12	5.65	6.17	6.12
	Middle Atlantic	13.79	14.58	13.79	13.99	13.88	13.84	13.80	13.77	13.51	13.88	13.75
	East North Central	16.01	15.88	16.01	15.84	15.89	15.97	16.05	16.10	15.58	15.93	16.12
	West North Central	7.15	7.02	7.15	6.97	6.95	6.91	6.89	6.88	6.96	6.99	6.89
	South Atlantic	20.22	20.78	20.22	20.73	20.78	20.84	20.86	20.89	20.93	20.65	20.90
	East South Central	5.69	5.58	5.69	5.85	5.91	5.99	6.07	6.10	5.51	5.86	6.12
	West South Central	10.83	10.60	10.83	10.00	9.90	9.72	9.68	9.64	11.32	10.11	9.63
	Mountain	4.88	4.85	4.88	4.85	4.89	4.91	4.91	4.90	4.97	4.88	4.89
	Pacific	15.41	14.61	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	91.3	88.6	92.7	91.1	93.9	94.1	92.4	91.1	88.5	93.0	91.6
	Cement	106.5	99.8	121.2	108.7	105.6	110.1	107.9	106.5	105.7	111.3	106.4
	Gypsum Wallboard	129.6	132.4	132.8	133.7	132.3	134.5	134.6	134.2	126.4	133.3	133.9
	Hardware	99.2	99.4	99.8	102.1	103.5	104.5	104.5	103.9	100.9	102.5	103.8
	Lumber Products	126.1	125.7	128.0	132.8	134.1	130.6	127.5	126.7	122.9	131.4	126.7
	Paint	98.2	100.2	100.6	103.0	101.7	106.1	107.2	107.9	101.9	102.9	108.1
	Plywood	144.3	142.9	149.6	161.4	160.1	158.2	155.3	150.9	138.7	157.3	152.4

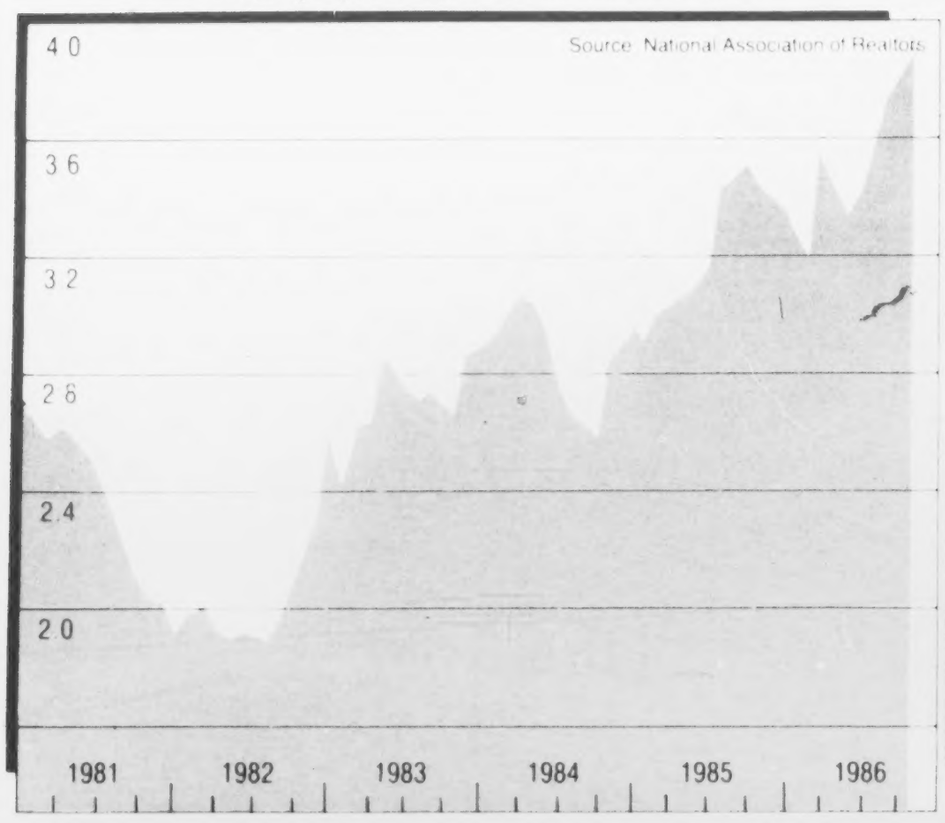
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
December 24, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

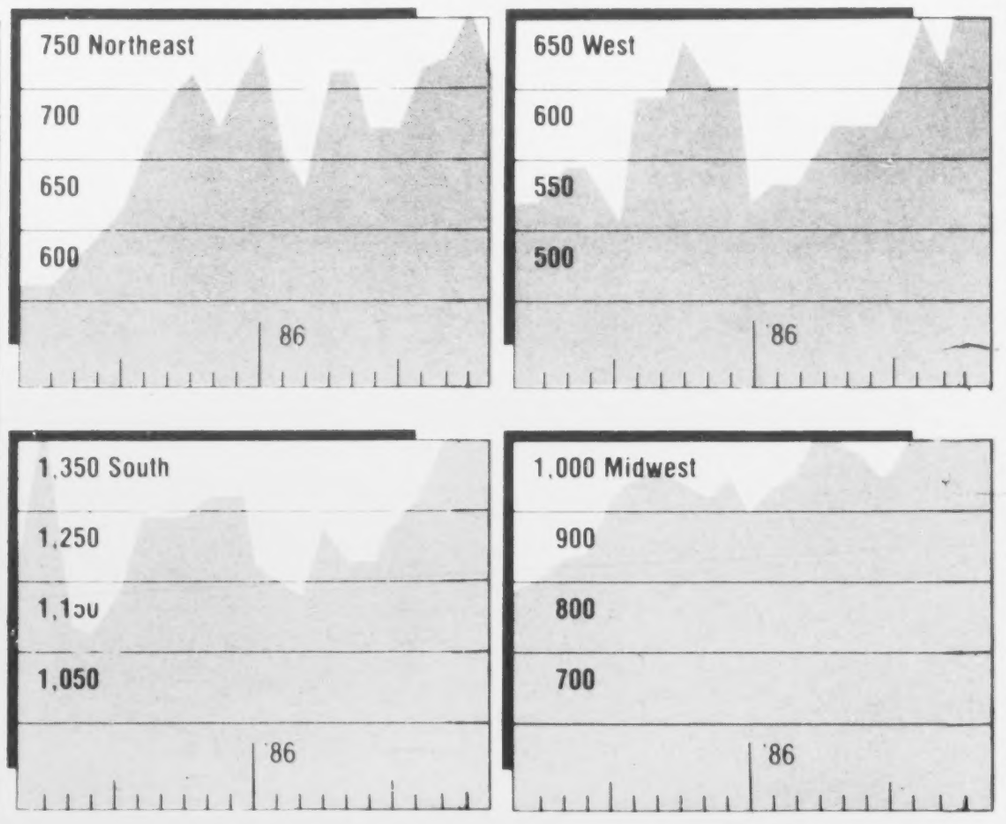
SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



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Home resale activity surges 3% in Nov.

By an NHCN staff editor

NATIONAL REPORT — Home resale activity surged 3% in November to an annualized 3.92 million units, the fifth consecutive monthly increase and the highest sales pace since September 1979, the National Association of Realtors reported.

The activity rise was due almost entirely to sales in the South which increased 13% over October's totals to a seasonally adjusted 1.53 million units, a 20.5% increase over November 1985.

The only other increase was recorded in the Midwest, where activity rose 1% to an adjusted 1 million units, 10% above its year earlier pace.

Both the Northeast and West posted sales declines in November. Sales of previously-occupied homes in the Northeast fell almost 7% to 710,000 units, seasonally adjusted, although this was still 6% above its November 1985 pace. And sales in the West declined by 4% from October, to 680,000 units, a 13% increase from November 1985.

Median sales price
(in thousands of dollars)

	Sept.[p]	Aug.[r]	July	June
U.S.	$ 79.9	$ 80.9	$ 79.9	$ 82.6
Northeast	106.4	107.5	104.6	109.7
South	74.9	77.0	77.2	80.0
Midwest	63.1	63.9	64.2	65.2
West	101.8	102.9	101.7	103.0

[p]-preliminary [r]-revised
Source: National Association of Realtors

Home prices rose in all four regions in November, led by the Midwest, which posted an increase of $2,500 from October, to $63,600, 10% above November 1985. Home prices in the South rose $2,200 to $77,000, almost 3% above last year's prices. The median-priced home in the Northeast rose $1,800 to $107,800, a 21% increase over last November. And home prices in the West rose $700 from October to a median $102,400, 8% ahead of last November.

Home improvement spending up 10%

By an NHCN staff editor

Americans spent a seasonally adjusted $91.6 billion to maintain and improve their homes during the first quarter of 1986, a 10% increase over the $83.6 billion they spent in the first quarter of 1985, according to a just-released and long delayed U.S. Commerce Department report.

Both maintenance and repairs and improvements, subcategories of the total expenditures, rose during this recording period.

Maintenance and repairs inched 2% over the corresponding quarter in 1985 to $36.7 billion. And improvements totaled $54.9 billion, 15% ahead of first quarter 1985.

Additions and alterations, which increased 21% to $34.3 billion in early 1986, and major replacements rose 6% to $20.6 billion.

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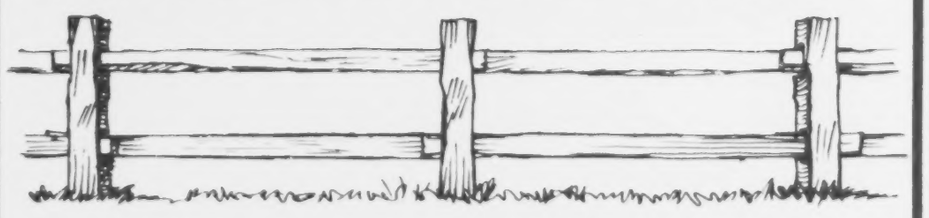

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LUMBER REPORT

Export tax on Canadian lumber has yet to impact U.S. market

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — The Canadian export tax on lumber headed for America has had little impact on market conditions, but the long range economic consequences of the measure promise to be hotly debated in 1987.

The cost of a new home, the future health of Canadian mill operators, and the repercussion on trade relations are being watched carefully for any effects from the tax.

The Canadians announced the export tax December 30, just one day before the U.S. Department of Commerce's interim 15% tariff on Canadian softwood, installed October 22, would have become a permanent component in American trade law.

Pressured to reach some settlement by the year-end deadline, and apparently fearful that the Committee for Fair Lumber Imports (CFLI) would have succeeded in pushing for a higher tariff, the Canadians reached an 11th-hour agreement with American industry and commerce representatives establishing an export tax equal to the tariff the U.S. imposed.

"This is the best thing that could have happened to the forest industry in North America," said Stanley Dennison, chairman of the CFLI and a semi-retired executive vp of Georgia-Pacific who led the charge for a tariff.

As a result of the export tax, the tariff is permanently rescinded and the CFLI—the aggressive American forest producers group that has been campaigning since 1981 to secure a tariff—withdrew its countervailing duty petition. Despite the group's victory, it will continue to operate as a kind of a quasigovernmental consulting firm.

Stumpage fees still untaxed

To the relief of Canadian producers and exporters, approximately $85 million in bonds and tariff duties collected by U.S. customs officials since the interim duty was erected in October will be returned.

As an export tax, the levy will only be assessed on finished, dimensional lumber crossing the border and will not, ironically enough, affect Canadian stumpage fees, the cost of cutting standing timber. From the beginning, it was the extreme price differences between Canadian and American stumpage costs that provoked calls for a countervailing duty.

The CFLI and others have long argued that because the Canadian government subsidizes its forest industry by owning 90% of the commercial forest land and assigns harvestable acreage to companies through long- and short-term license arrangements, Canadian forest producers did not have to compete through bidding on stumpage costs like their American counterparts. In 1984, these differences created extremes in aggregate stumpage fees that were as low as $12 per thousand board feet in Canada compared to $118 per thousand board feet in the United States, according to a lumber importation study by the U.S. International Trade Commission.

> 'This is the best thing that could have happened to the forest industry in North America.'
>
> —**Stanley Dennison,** *chairman, Committee for Fair Lumber Imports*

Tax could exceed profits

The net effect was that Canadian lumber, over the course of 10 years, had grown from 12% to total U.S. consumption to a 1985 record of 32%. For the first 10 months of 1986, the Canadians had exported more than 12 billion bd. ft. of lumber to the U.S. compared to total U.S. production for the same time period of 29 billion bd. ft, according to statistics from the National Forest Products Association (NFPA).

The projected monetary value of 1986 Canadian softwood imports will exceed $3 billion, according to the Canadian Forest Industries Council (CFIC), a Canadian trade group. But the CFIC complains that the $500 million the government will collect as a result of the export tax is more than the entire industry makes in profit.

The CFLI pulls no punches when it declares that its intent is to curtail Canada's market share, even though many American forest products executives candidly acknowledge that it is impossible for total U.S. production to satisfy domestic demand.

Canadian producers irked

Dennison said the deal worked out with the Canadians will ultimately lead to increased Canadian stumpage fees.

"The American producer was being put out of business because he had to pay so much more for his stumpage than the Canadians," Dennison said. "What this will do is raise the cost of the Canadian producer sufficiently so that U.S. firms that are efficient can get back to business."

It's the question of efficiency that's going to be a major determinant in the survivability of Canadian firms and is the root of the Canadian's outrage over the settlement.

Bill St. John, vp-sales and marketing for the Vancouver-based MacMillian-Bloedel Corporation, Canada's largest forest products producer and distributor, predicted that the industry will be forced to lay off employees and eliminate inefficient mills in order to prosper.

St. John warned that if U.S. housing starts slump to 1.2 or 1.3 million unit levels in 1987, the effect of the export tax could be disastrous for retailers, consumers and producers on both sides of the border.

The National Association of Home Builders announced that the tax will probably add $1,000 to the cost of a new home and drive some potential home buyers from the market. But Dennison counters that housing costs will probably increase $150 to $300 and he argued that interest and terms determine who buys a house, not construction costs.

Harry Horrocks, governmental affairs director of the National Lumber and Building Materials Dealers Association and a perennial opponent of import restrictions, said the net effect of the export tax will mean more consolidation among producers and the likely disappearance of certain products from the market.

Market affected minimally

Meanwhile, retailers and wholesalers report that it has been business as usual since the export tax was announced.

At the time of this writing, *Random Lengths* had reported that trading levels had crept up $3 to $4 per thousand board feet. And while most retailers and wholesalers are convinced that their suppliers will pass on the 15% tax, many believe the hard rules of supply and demand may work to keep prices moderate.

Some lumber buyers said most of their suppliers tacked on 10% to 12% increases in October with the tariff and expect no further upswings unless demand intensifies.

Ply-Gem buys vinyl window firm

By an NHCN staff editor

NEW YORK — In continuing its pursuit of acquisitions to complement its broad array of wood and home improvement products, Ply-Gem Industries has purchased the Great Lakes Window Corp. for $18 million and contingent payments based on future earnings.

The deal, which was announced Christmas Eve, was the third major acquisition Ply-Gem completed in 1986.

Great Lakes, headquartered in Ohio, manufactures vinyl replacement windows in Toledo and vinyl extrusions in Toronto. Since its founding in 1981, the company has emerged as one of the top three manufacturers of vinyl replacement windows on the continent, according to a Ply-Gem press release.

For its last fiscal year which ended in November 1986, Great Lakes had sales of approximately $20 million.

PROJECT SELL:

NHCN launches Project Sell

"Project selling" is now part of the home center industry's vocabulary, and dealers are busily devising "strategies" to get consumers to buy more of what they need from their stores.

The practice of selling projects, though, remains more a concept than an actuality for a large segment of the industry, one that is deemed either too difficult, complicated or costly for serious in-store effort, even as dealers admit missing out on bigger ticket purchases. For some chains, the one-stop shopping foundation upon which the industry was built stops at projects.

In this issue, *National Home Center News* introduces a new feature, to run each quarter, that focuses on the different aspects of project selling from merchandising to in-store display, advertising to financing.

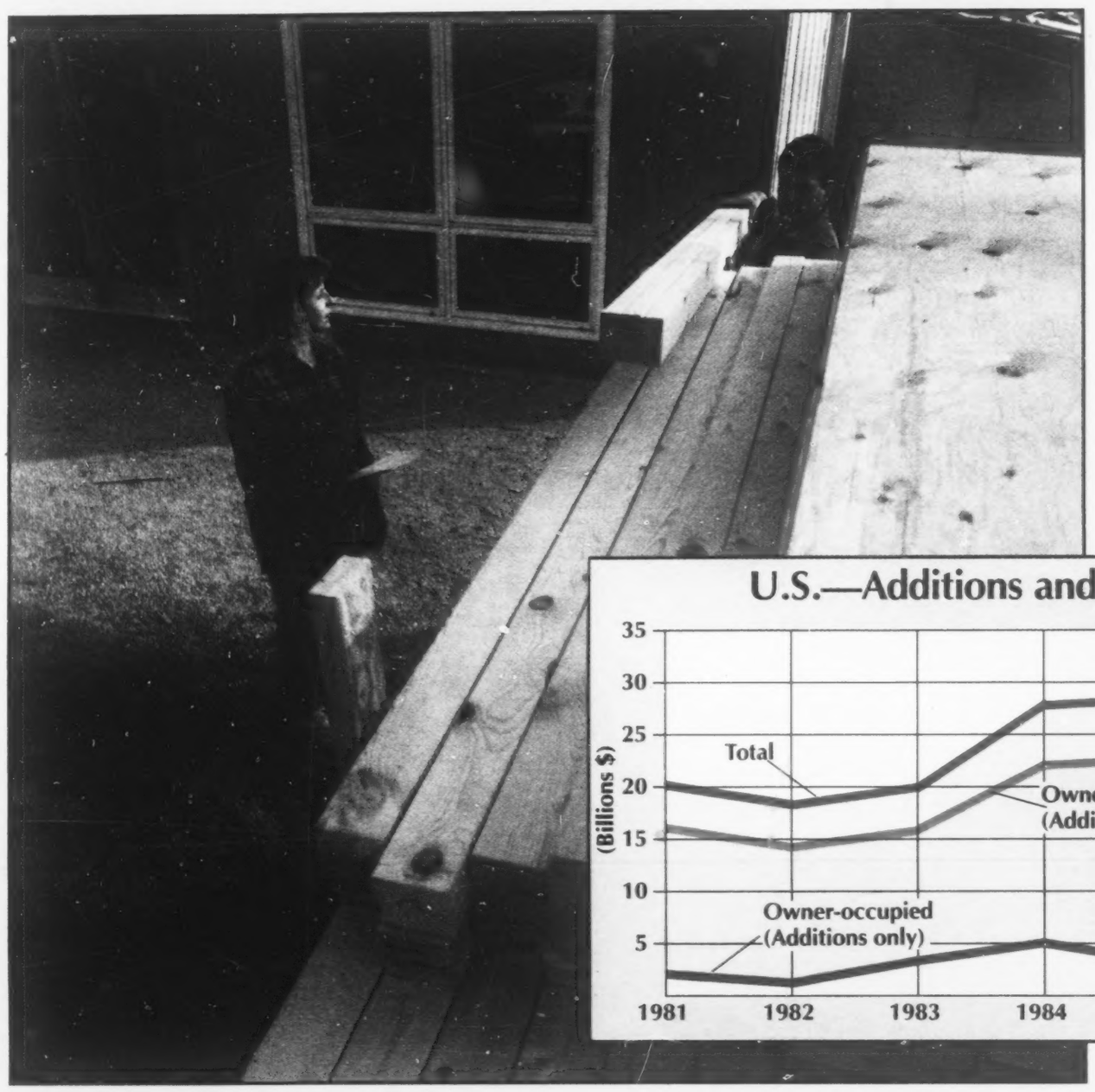
These special sections will examine what dealers and suppliers are doing to sell projects such as room additions and remodeling, kitchens and baths, lawn and garden, and home decor.

The aim is to uncover the ways both contractor- and consumer-oriented home centers are becoming more competitive through project marketing and are luring customers into their stores with the promise not only of merchandise for remodeling and building jobs, but also in-store help to complete projects.

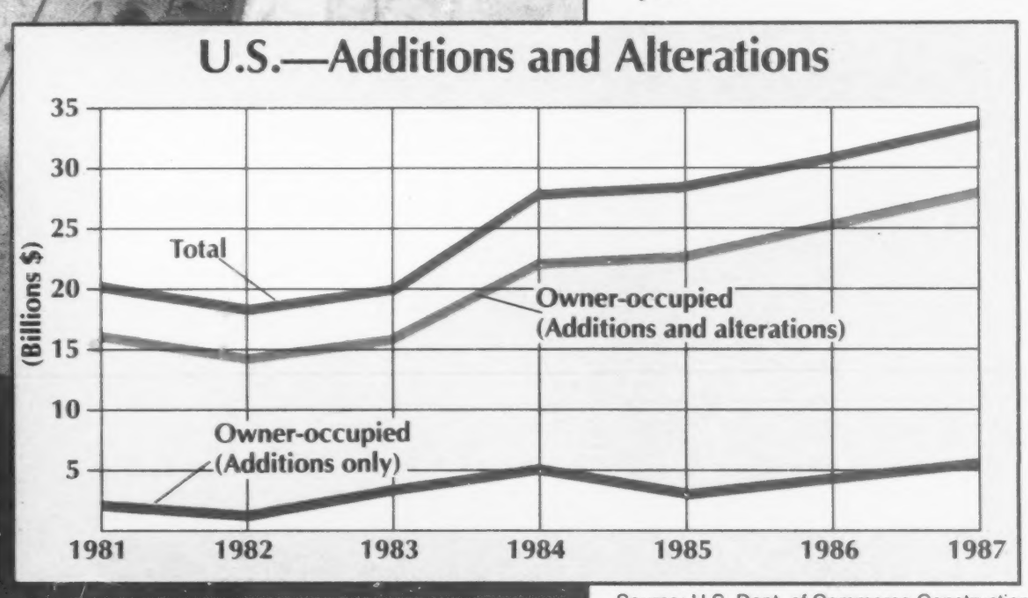
Index

- **22 Retailers toy with marketing room additions.** Most home center dealers can sell consumers an entire kitchen or bath, but draw the line on room additions. But some now have in-store programs to sell higher-ticket projects.
- **22 Dealers grapple with offering installation.** Most agree project selling demands offering consumers installation, which can be hard to manage.
- **24 Study finds broader project activity.** Rodale's *Practical Homeowner* survey of more than 20,000 adults finds wide project activity among rural and affluent homeowners.
- **34 Project ads spur higher sales.** Chains like Wickes Lumber and Grossman's are promoting projects in their newspaper ads. But some retailers still prefer showing more products in ads.
- **36 Manufacturers' sales aids go unused.** Virtually every supplier has myriad displays and other POS materials promoting project selling, but wonder why dealers don't take more advantage of them.
- **40 Financing.** Banks and credit companies appear to be more willing to finance big-ticket remodeling sales, relieving home centers of the risk and helping them promote projects.
- **42 Active DIYers watching remodeling program.** The popular public TV series *This Old House* draws a good chunk of its audience from the DIYer ranks, according to a study conducted by the show's sponsor, Owens-Corning.

DEALERS UNDERSELL



Owner-occupied room additions and remodeling projects are estimated to account for more than 80% of all projects of this type done in 1986 and 1987. Additions to owner-occupied units alone will make up at least 15% of all the additions and remodeling activity completed in these years.



Source: U.S. Dept. of Commerce Construction Reports, Annual 1985; Merrill Lynch.

By Milford Prewitt
NHCN staff editor

At National Home Center's sprawling 230,000-sq.-ft. warehouse operation in Little Rock, Ark., store manager Russ Waggoner is an enthusiastic believer of promoting and operationally supporting the sale of room additions.

From monthly tabs that remind its customers to "let us help you plan your next room addition," to inside and outside sales crews armed with computerized materials lists and cost estimating capabilities, to site delivery and inspection, National Home Center is making a comprehensive commitment to the room addition project sell.

But National's investment in selling room additions seems the exception more than the rule among building material dealers.

NHCN questioned executives of nine home center companies whose geographic and sales diversity reflects the industry at large, and found that project selling, particularly of room additions, has been a practice slow in arriving.

Many chains and independents have opted for selective project selling and installation, with the focus centered primarily on kitchens, bathrooms and decks. Any number of chains—including Grossman's and Wickes Lumber—promote project sales in their advertising. Manufacturers provide a slew of sales aids to encourage consumers to buy everything they need for a job at one store *(see other stories)*.

But for all the talk within the industry about being "project oriented," many operators are not backing up their words with actions when it comes to room additions. Oftentimes, the most glaring (and surprising) examples of this lack of effort are among the more consumer-dedicated operations.

Drawing the line at rooms

For reasons ranging from inventory and service limitations to beliefs that room additions sales are more suited to old-line lumberyards, many retailers have shied away from room additions as a project sell.

"We try to stay away from anything structural" said Tom Farrell, director of merchandising for All American Home Centers, a one-unit, $26 million concern that operates a strong installed sales program, but which finds room additions "too complicated."

But at least two companies that previously stayed at arm's length from room additions sales have seen the light. The Seattle-based Ernst Home Centers and Handy Andy, in Gurnee, Ill., will soon offer their first comprehensive room addition project selling programs.

Handy Andy, with 21 stores, expects to offer solar room additions, backed by a staff of installers and a window vendor's support, beginning in March, according to Dick Star, installed sales director. Half a continent away, Ernst will unveil in May an installed sales program that could offer room additions, according to Gene Howenstein, senior vp-merchandising who left the company this month.

Despite some chains' reluctance to develop project-oriented room addition sales programs, most concede that

(Continued on page 23)

Insuring quality of builder workmanship

By an NHCN staff editor

NATIONAL REPORT — "It's a great idea. I wish we could figure out a way to do it successfully."

That's Pat Behan, president of Hill-Behan, St. Louis, talking about installed home improvements. His and many other home center chains have attempted this seemingly attractive method of promoting project sales—only to abandon the idea after experiencing mounting frustrations.

In theory, installed home improvement (IHI) sounds great: encourage large ticket project sales by offering to install kitchens, baths, decks, garages and other jobs for which materials have been purchased at their stores.

Sears has perfected this marketing tact, and a number of home center chains—National Lumber & Supply, Neiman-Reed, Builderama, Scotty's and Seigle's Building and Home Supply—run successful IHI programs.

Just as many retailers, though, have encountered all kinds of IHI problems, which they enumerate in order of agony:

- Contractors have divided loyalties because they are not full-time employees of the retailer. As a result, they can't be relied on to complete jobs on time, or even arrive as scheduled at job sites;
- Customers are so demanding of quality work that contractors must make additional trips to job sites, usually at the retailer's expense;
- Customers can still be complaining to the dealer about something that's gone wrong with the job months after it's been completed.

Orchard Supply Hardware, San Jose, Calif., started an IHI program four years ago, only to abandon it after two years.

"Our experience was not a happy one," said Karl Hess, assistant store promotions manager. "It was difficult to end up with a high service level and the level of customer satisfaction we demand at our stores."

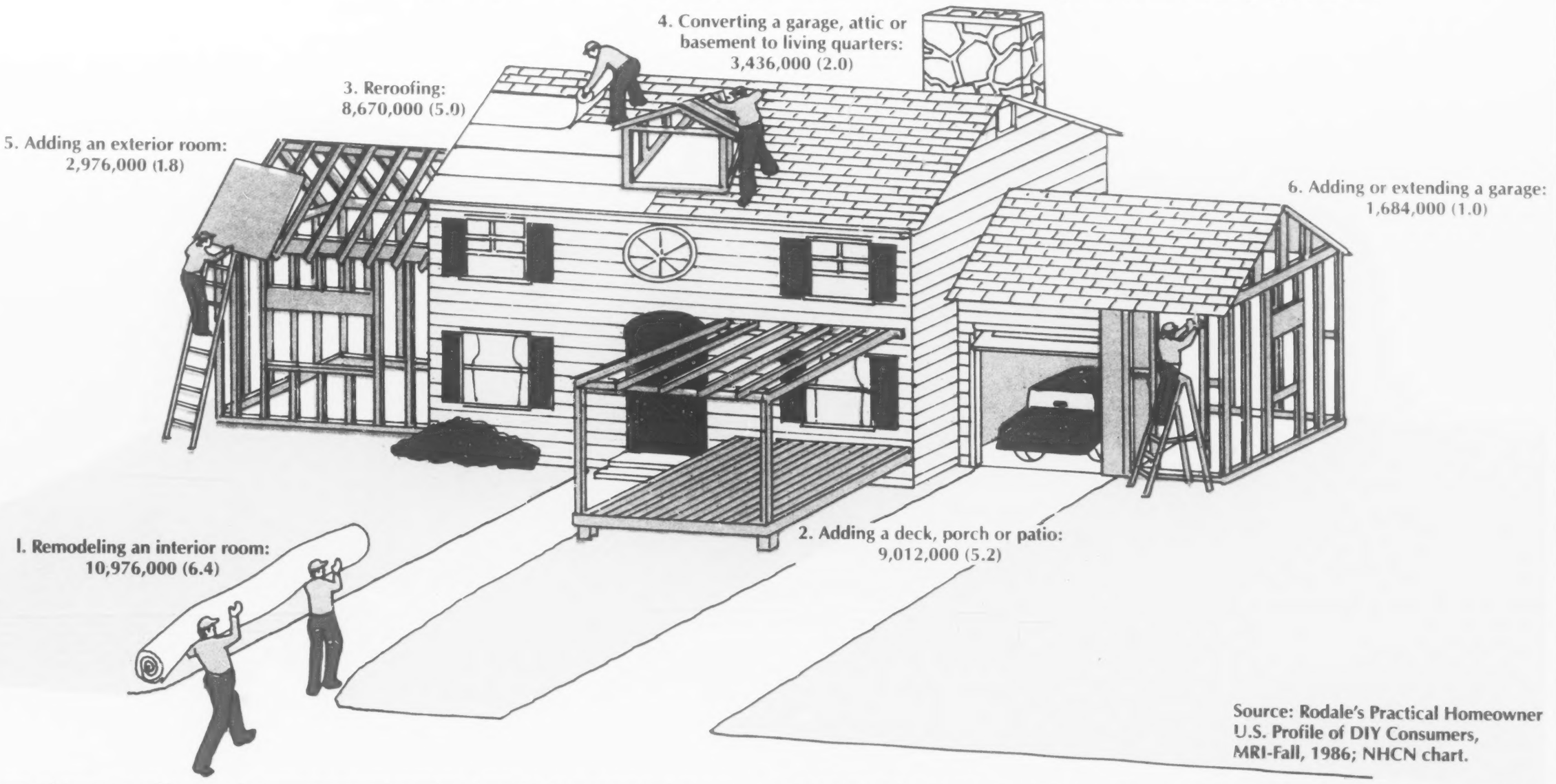
Delays in completing jobs, and less than stellar contractor attitudes toward customers, caused the dissatisfaction, noted Hess. Orchard's liberal

(Continued on page 23)

ROOM ADDITIONS

Americans improve and expand their homes

Number of U.S. adults completing selected home improvement projects (percentage of total adult population)


4. Converting a garage, attic or basement to living quarters: 3,436,000 (2.0)
3. Reroofing: 8,670,000 (5.0)
5. Adding an exterior room: 2,976,000 (1.8)
6. Adding or extending a garage: 1,684,000 (1.0)
1. Remodeling an interior room: 10,976,000 (6.4)
2. Adding a deck, porch or patio: 9,012,000 (5.2)

Source: Rodale's Practical Homeowner U.S. Profile of DIY Consumers, MRI-Fall, 1986; NHCN chart.

A recent survey of home improvement project activity among America's 172 million adults found that nearly 11 million had completed an interior remodeling job over the past two years. The study, some of whose findings appear in charts and an article starting on page 24, found a remarkable amount of project activity among adults living in rural markets, in New England, and those more affluent consumers.

(Continued from page 22)

this part of their business, if cultivated, can only get bigger.

An estimated $927 million was spent in the first quarter of 1986 on room additions and other space enlargements (which includes everything from attached garages and attics to astronomical observatories) of single-family, owner-occupied homes. This was nearly double the $563 million spent during the same period the previous year, according to the Census Bureau's Construction Statistics Division.

This spending activity reinforces an image of industry robustness that faded a bit in 1985, when room addition expenditures were off 35% to $3.4 billion.

Waggoner, the store manager at National Home Center, estimated that the average "package sale" for a room addition at his store runs about $10,000, with project sells in general accounting for 30% to 40% of his unit's monthly gross revenues.

"It's an important business for us," Waggoner said. "If a guy does a $10,000 room addition, and we have a lot of them, we usually get about a 25% margin.

"That's $2,500 in gross profit, coming from a salesman who makes $6 an hour, but who's selling add-on items that improve his commission."

Four key program elements

But to get a piece of this action, retailers who pursue room additions insist that their stores must fine tune some operational areas in order to profit from project selling. These include having knowledgeable people, material delivery, fast and accurate materials project lists with quotes and inventory commitment to the concept.

In the case of National, which actively promotes itself as being project oriented, the engine running its project selling machinery is a computerized take-off and estimating system that gives a shopper a product list and package price, good for seven days.

Waggoner said his store's project "system" can serve both the shopper who comes in with an architect's blueprint, or one with only the sketchiest idea of what he has in mind.

Another company that heavily promotes project sells and depends on a computer for backup support is Knox Lumber, St. Paul, Minn.

Knox's computer can automatically provide materials lists and quotes for several big-ticket projects, thereby eliminating the time-consuming guesswork associated with doing this manually, said vp-operations Jack Walsh.

Delivery, another consensus prerequisite for a successful project selling program, means a lot to Builders Square, the San Antonio-based warehouse chain. "I don't know if you can sell projects if your'e not going to deliver," said Bill Lieb, store manager of the chain's Braddock Hills, Pa., unit. He said the company's delivery charges are $15 for the first 10 miles and $1 for every mile after that.

In-store sales help

Builders Square and other chains such as the San Diego-based Dixieline fall somewhere between the extremes of companies that pursue a promotion-to-delivery project selling approach and those firms that do little.

Officials at both Builders Square and Dixieline insist that what their stores' lack in project advertising or advanced systems for materials listing and pricing, they make up for with experienced sales help and an internal operation geared towards the sale of projects.

Dealer project sales at issue

Executives for some contractor-oriented companies indicated that because a good chunk of their clientele is involved every day in major projects, there is little need to promote or provide any DIY-type services.

In fact, Tom O'Malley, vp of Gerrity Building Centers, Meredith, N.H., a 17-unit chain that drew 93% of its $159 million 1985 sales volume from builders, frowned on the prospect of an ill-prepared consumer shopping his stores for a room addition.

"If a home owner shopped here for a room addition I think they had better have a lot of questions answered beforehand," O'Malley said. "I'm not so certain stores that are 100% DIY can help them either. If you're 100% DIY, you have to consider 'do I carry the products to do this.' "

makes dealers fret about installed sales programs

(Continued from page 22)

return policy meant many of the project sales were coming back to the stores.

"We had a guy running our program who was a great salesman, but who didn't have the follow up," said Pat Behan, whose 34-store chain tried an IHI program unsuccessfully in the early 1970's. "He didn't have the right contractors to get the jobs done on time."

Many customers complained their kitchens were torn up for extended periods of time.

And the definition of a completed job is apparently open to question.

"Your idea of a completed job differs from the customer's idea," noted Behan. Ergo, more customer ill will and more trips to the job sites.

"For every 10 jobs, you might make nine customers happy, but the one customer is so unhappy it causes monumental problems," he said.

Customer complaints can trail in long after the retailer thinks the case has been closed.

"We would get calls from people 10 to 12 months after work was done, that the screws were coming out of their storm doors and they wanted us to fix them," said Behan.

Jim Cohen, president of Central Hardware in St. Louis, said that providing IHI is more difficult than a person might anticipate. Cohen's chain recently initiated IHI in more of its stores.

"It's fraught with problems," said Cohen. "One is getting competent help.

"We are new at it, and we were not as successful as we would like to be. We are monitoring results almost daily."

As a home center chain expands into new markets, maintaining an IHI program becomes more difficult. The scheduling of work, and quality control, can become complex. Channel Home Centers offered IHI over a decade ago, but dropped the service when it began opening stores far afield.

One possible solution to continuing scheduling problems is to hire labor on a full-time basis. But retailers noted this means dealing with a variety of unions.

All American Home Center, Downey, Calif., is one consumer-oriented retailer that has been very successful with IHI. The company has but one location, making contractor control easier.

Further, the store's large volume—expected to exceed $28 million for 1986—means contractors are kept working almost exclusively for the store. That aids quality control.

Cheri Sherr, store manager, said that last fall All American added two more contractors to handle increased demand. The store had been using the services of a single contractor previously.

PROJECT SELL: ROOM ADDITIONS AND REMODELING

New study finds broader project activity

By an NHCN staff editor

NATIONAL REPORT — The predictably "typical" image of a home remodeling DIYer is aged 35 to 64 with a medium income, owning a modestly priced suburban home that he's lived in for five years or more.

But home centers that market their project-oriented merchandise primarily to customers fitting this demographic mold could miss a larger segment of the population which, according to a newly published, comprehensive survey of consumers' remodeling activity, is engaging in such projects as avidly as the more conspicuous consumer-remodeler group.

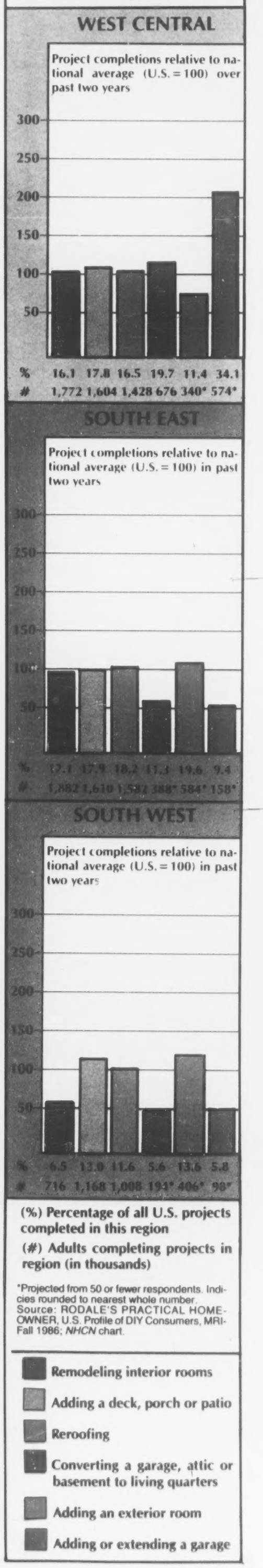
Based on the survey's findings, retailers may want to rethink their project sell programs to meet the needs of the broader remodeler universe that is uncovered.

The study, conducted for a full year and released last month by Rodale Press' *Practical Homeowner* magazine, surveyed more than 20,000 U.S. consumers on what home improvements they did over the past two years. A major section of the study focuses on 10 major home remodeling jobs and traces remodeling activity among consumers by household income, geographic region, time of residence in the home, age, marital status and home ownership.

The study is nationally projectable to reflect activity among the close to 172 million adults over 18 years old.

It shows a remarkable amount of activity going on in rural areas; in New England, which all of a sudden has become a hotbed of home center expansion; among homeowners with incomes above $50,000 and homes worth more than $100,000; and, in some cases, among newer, 18- to 34-year-old homeowners.

(Continued on page 28)


WEST CENTRAL
Project completions relative to national average (U.S. = 100) over past two years
300
250
200
150
100
50
% 16.1 17.8 16.5 19.7 11.4 34.1
# 1,772 1,604 1,428 676 340* 574*
SOUTH EAST
Project completions relative to national average (U.S. = 100) in past two years
300
250
200
150
100
50
% 17.1 17.9 18.2 11.3 19.6 9.4
# 1,882 1,610 1,582 388* 584* 158*
SOUTH WEST
Project completions relative to national average (U.S. = 100) in past two years
300
250
200
150
100
50
% 6.5 13.0 11.6 5.6 13.6 5.8
# 716 1,168 1,008 193* 406* 98*
(%) Percentage of all U.S. projects completed in this region
(#) Adults completing projects in region (in thousands)
*Projected from 50 or fewer respondents. Indicies rounded to nearest whole number.
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI-Fall 1986; NHCN chart.
Remodeling interior rooms
Adding a deck, porch or patio
Reroofing
Converting a garage, attic or basement to living quarters
Adding an exterior room
Adding or extending a garage

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PROJECT SELL: ROOM ADDITIONS AND REMODELING

Broader project activity shown in study

(Continued from page 24)

Also unveiled was the relative dearth of activity going on in the South and Pacific regions, despite the tremendous amount of expansion there by home improvement chains.

What's a typical remodeler?

The *Practical Homeowner* study asked consumers about 10 projects they engaged in since 1984, of which *NHCN* examines the data for six—room remodeling; adding a deck, porch or patio; reroofing; converting a garage, attic or basement to living space; adding an exterior room; and adding or extending a garage.

In most cases, the study statistically validates the conventional wisdom about which consumers do home remodeling projects. Half of the room remodelings—a project completed by 6.4% of the adult population during this period—were done by consumers whose household incomes were between $25,000 and $49,999; nearly two thirds of the conversions of garages and other areas into living spaces were accomplished by DIYers.

Rural markets active

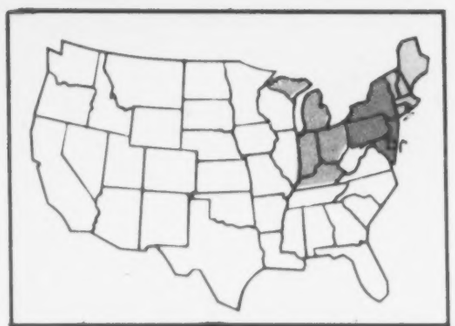
However, the study also takes the percentage of persons completing a project within specific demographic groups, and compares it with the national average for each project to develop a ratio of relative remodeling activity.

In many instances this "index" either varies markedly from the statistical assessment, or exposes some otherwise unseen or possibly ignored remodeling subgroup.

One of the more surprising findings in the study was the level of remodeling activity manifested by consumers living in rural communities.

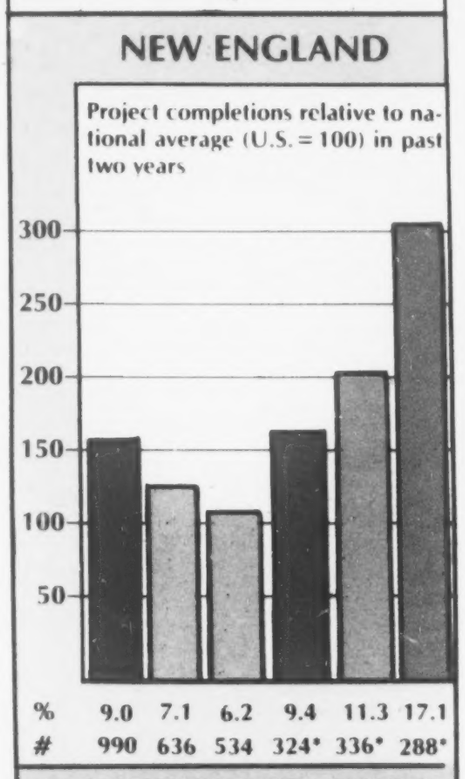
Statistically, rural consumers did nearly half of all the ga-

(Continued on page 30)



NEW ENGLAND

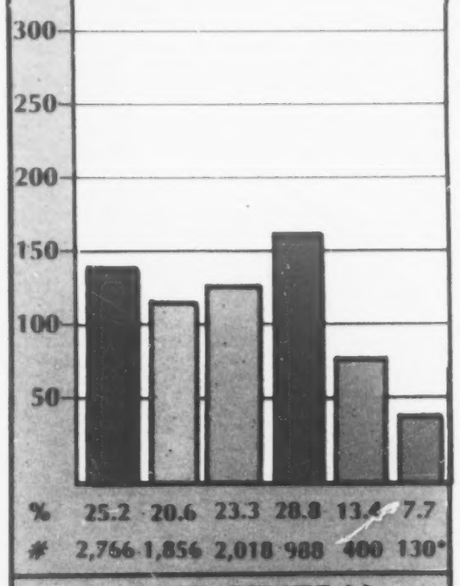
Project completions relative to national average (U.S. = 100) in past two years



%	9.0	7.1	6.2	9.4	11.3	17.1
#	990	636	534	324*	336*	288*

MIDDLE ATLANTIC

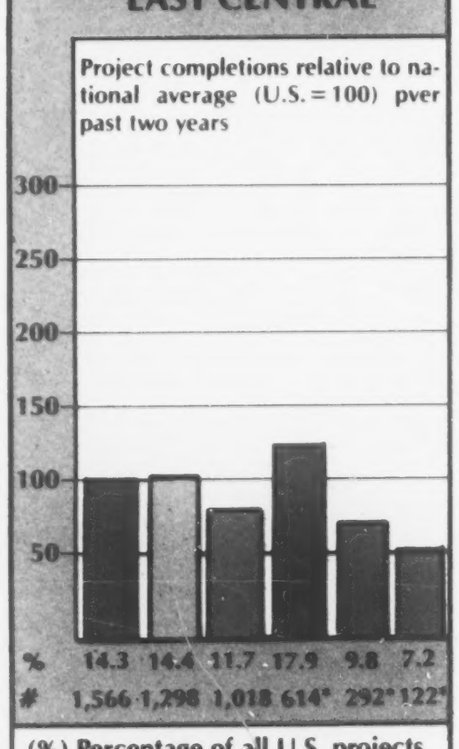
Project completions relative to national average (U.S. = 100) over past two years



%	25.2	20.6	23.3	28.8	13.4	7.7
#	2,766	1,856	2,018	988	400	130*

EAST CENTRAL

Project completions relative to national average (U.S. = 100) pver past two years



%	14.3	14.4	11.7	17.9	9.8	7.2
#	1,566	1,298	1,018	614*	292*	122*

(%) Percentage of all U.S. projects completed in this region.

(#) Adults completing projects in region (in thousands)

*Projected from 50 or fewer respondents. Indicies rounded to nearest whole number.
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI-Fall 1986; *NHCN* chart.

- Remodeling interior rooms
- Adding a deck, porch or patio
- Reroofing
- Converting a garage, attic or basement to living quarters
- Adding an exterior room
- Adding or extending a garage

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PROJECT SELL: ROOM ADDITIONS AND REMODELING

New study shows need for project marketing

(Continued from page 28)
age-extending projects, and two fifths of the exterior room addition jobs.

And when project activity is indexed by location, rural dwellers were the only group whose activity level was higher than the national average of 100 when it came to reroofing their homes. Their index was more than double either city or suburban respondents for completing an exterior room addition, and more than three times the indices of these other groups for garage extensions.

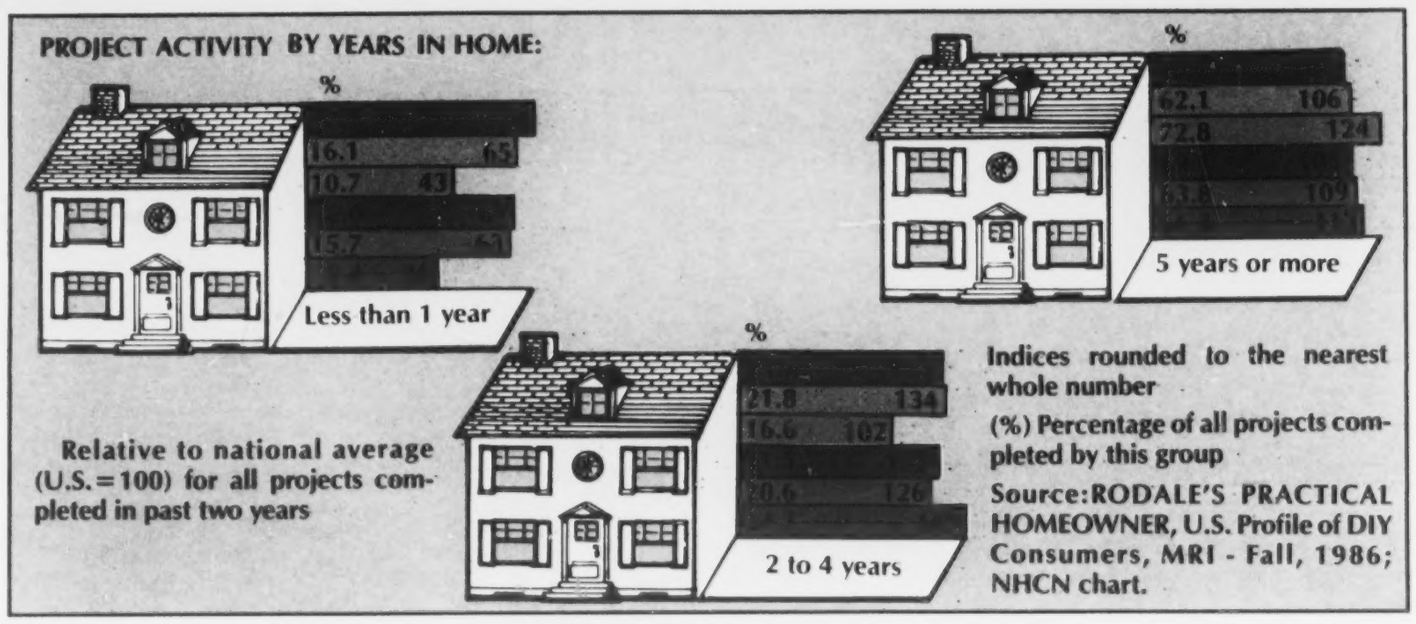
Home tenure, worth viewed

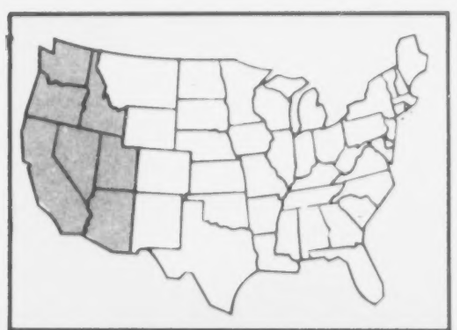
It stands to reason, and the *Practical Homeowner* study shows, that people who have lived longer in their homes are doing the bulk of the remodeling projects nationwide. At least three fifths of the projects completed in all six job categories were done by consumers who have resided in their homes at least five years; this group did more than seven out of 10 reroofing jobs.

But when the study's data is indexed, one finds that consumers with less time in their houses are equally active remodelers. Take, for example, garage extensions: Those in their homes two to four years registered a higher index—149.2—than those in their homes five years or more.

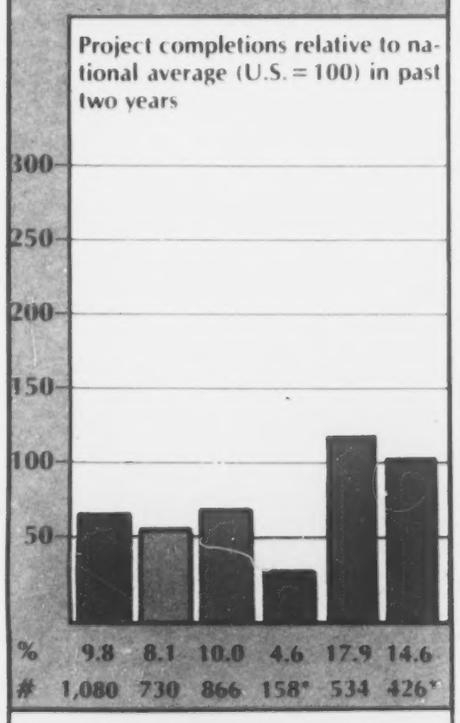
In all the projects but reroofing, the remodeling activity index for those consumers living in their homes from two to four years was higher than for those with tenures of five years or more.

(Continued on page 31)


PROJECT ACTIVITY BY YEARS IN HOME:
%
16.1 65
10.7 43
15.7 63
Less than 1 year
%
62.1 106
72.8 124
3.8 109
5 years or more
%
21.8 134
16.6 102
20.6 126
2 to 4 years
Relative to national average (U.S.=100) for all projects completed in past two years
Indices rounded to the nearest whole number
(%) Percentage of all projects completed by this group
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI - Fall, 1986; NHCN chart.



PACIFIC



(%) Percentage of all U.S. projects completed in this region

(#) Adults completing projects in region (in thousands)

*Projected from 50 or fewer respondents. Indicies rounded to nearest whole number.
Source: RODALE S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers. MRI-Fall 1986; *NHCN* chart.

- **Remodeling interior rooms**
- **Adding a deck, porch or patio**
- **Reroofing**
- **Converting a garage, attic or basement to living quarters**
- **Adding an exterior room**
- **Adding or extending a garage**

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Patents Pending

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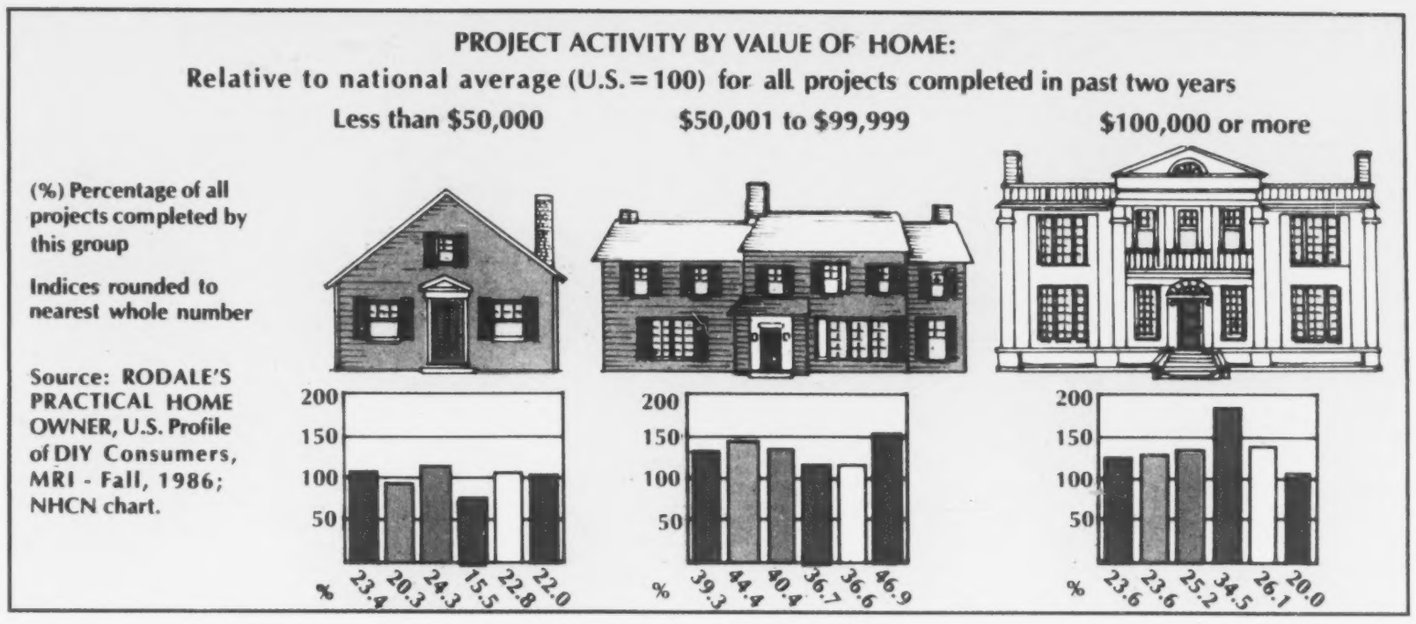
PROJECT SELL: ROOM ADDITIONS AND REMODELING


PROJECT ACTIVITY BY VALUE OF HOME:
Relative to national average (U.S. = 100) for all projects completed in past two years
Less than $50,000
$50,001 to $99,999
$100,000 or more
(%) Percentage of all projects completed by this group
Indices rounded to nearest whole number
Source: RODALE'S PRACTICAL HOME OWNER, U.S. Profile of DIY Consumers, MRI - Fall, 1986; NHCN chart.
200
150
100
50
%
23.4 20.3 24.3 15.5 22.8 22.0
39.3 44.4 40.4 36.7 36.6 46.9
23.6 23.6 25.2 34.5 26.1 20.0

Rural DIYers among most active remodelers in study

(Continued from page 30)

The study also reveals a high level of activity among people with loftier income levels living in costlier homes.

Those consumers with incomes between $25,000 and $49,999 and with homes worth between $50,000 and $99,999 completed the highest number of projects in all six project categories. About three fifths of the garage extensions and more than half of the space conversions into living quarters were accomplished by this income group.

But this doesn't tell the full story. People owning homes worth $100,000 or more did virtually the same number of space conversions to living quarters—35%—as those in less-expensive dwellings. One quarter of all exterior room additions were done by consumers whose homes are worth $100,000 or more. And one third of all deck/porch/patio constructions were conducted by people with incomes over $50,000.

The index for consumers with homes worth $50,000 to $99,999 and $100,000-plus was a dead heat for room remodeling. People with incomes of $50,000 or more registered the highest index—131.3—for reroofing projects.

Activity hot in New England

The greatest number of projects in four of six categories were completed by consumers living in the Middle Atlantic states.

But the index of consumers' project activity for adding or extending a garage in New England was 304.4, or more than three times the national average, and slightly less than 50% higher than the index of 214.2 for the West Central region where activity in this project was numerically the highest.

Even though New England accounted for only 11.3% of all the completions of exterior room additions (compared to nearly 20% in the South East sector), New England's index of 200.9 headed all other regions by a wide margin (the next highest was 117.7 in the South West).

The geographic indices revealed where pockets of activity for different projects existed, and reflect a consumer's need to remodel based on the relative age of an area's home stock. The Pacific index exceeded the national average in two projects—exterior room additions and garage extensions—but only registered a meager 31.8 for conversion of home areas to living quarters. The South West doesn't fare much better: Its index for living space conversions was only 48.7, and 56.3 for room remodeling.

The above information, provided to NHCN by Rodale Press' Practical Homeowner magazine, is a customized data tabulation culled from Mediamark Research Incorporated's (MRI) Fall 1986 survey of U.S. consumers.

From September 1985 through August 1986, MRI interviewed 20,493 U.S. adults in their homes about their remodeling activity. The study's findings are nationally projectable to the 171,169,000 adult population.

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Customer interest will be high because we're supporting Sunspot™ with a year-long schedule of ads and articles in leading consumer magazines. A toll-free number appears in every ad so when customers call, we'll direct them to you. When they walk in, posters, banners, and even a complete Sunspot™ will attract their attention. Product literature and an installation video tape answer all their questions. We even train your sales people. And our 4% co-op program lets you create a powerful retail campaign for your store.

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Difference in local economies cause sales to vary by region

(Continued from page 12)
will help domestic producers to displace foreign competition. High tech faltered in 1986 as consumers absorbed the equipment of the past while awaiting the promised equipment of the future.

The industry began to recover in the fall of 1986 and is expected to expand in 1987. Building material sales in the South Atlantic states, especially Florida and North Carolina where there is a growing high-tech manufacturing base, will grow above average. Automobile manufacturing will be the exception to this rule, as the industry adjusts for the sales' promotions of 1986.

Moderate growth

Growth near the national average will take place in areas with a diverse economy or those that have already enjoyed rapid expansions in the current recovery.

The broad-based California economy dominates the West. The Mountain states have a concentration in manufacturing which will offset their weaknesses in mining, energy and agriculture.

New England and the Middle Atlantic states were the star performers in 1986 for housing starts and building material sales, but housing demand will soften in 1987 as the prices of new homes and resales are too high to be affordable for potential buyers. Sales to the do-it-yourself market in the Northeast will remain strong in 1987.

Weak Growth

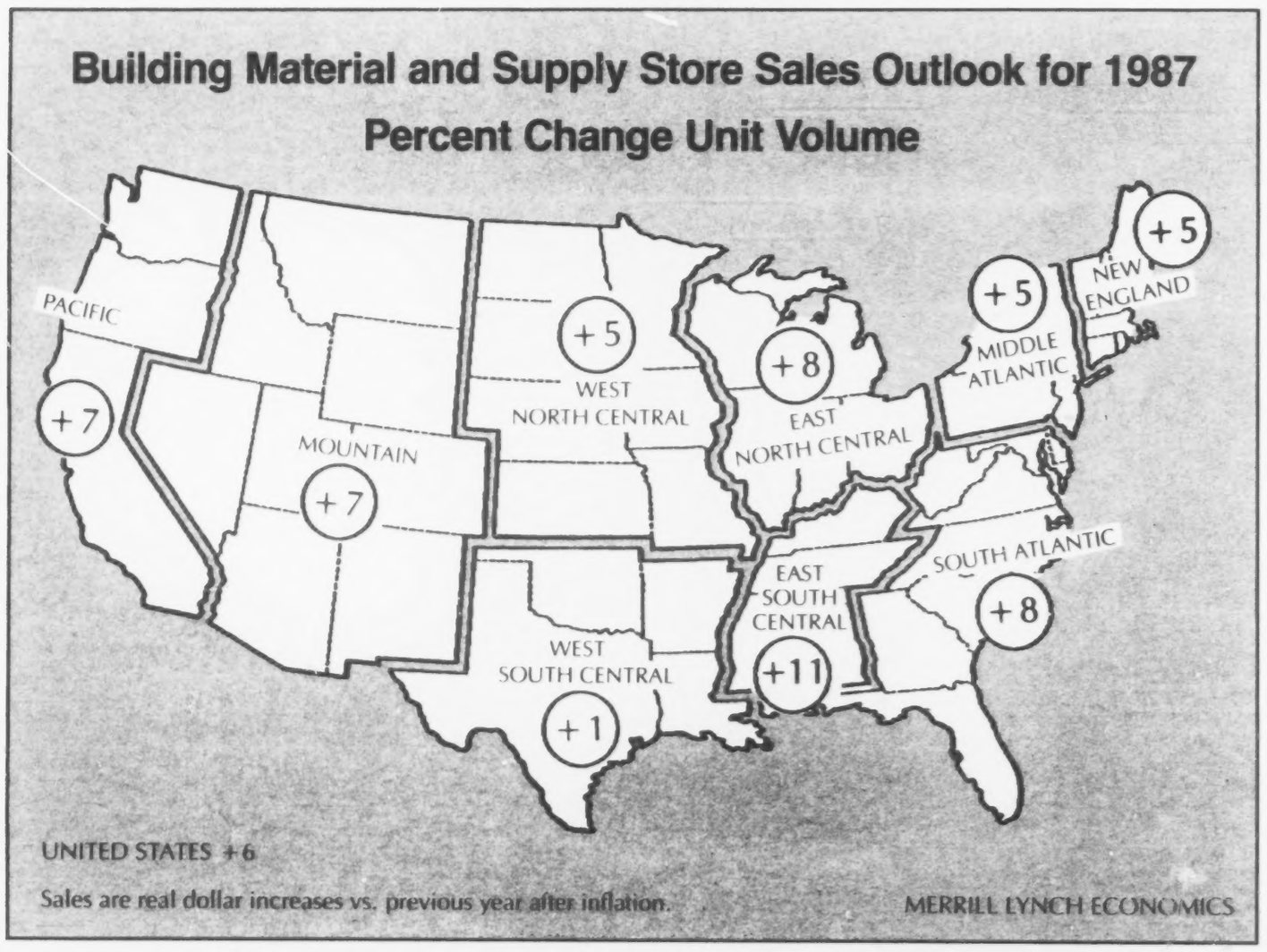
Energy and agriculture will remain the weakest sectors of the economy in 1987 and building material sales in regions with concentrations in these industries will remain soft.

The good news about these sectors is that the worst is over. Farm income has stabilized and energy prices have stopped their fall.

However, due to the existing surplus and increased comeptition from abroad, these markets will not rebound until 1988.

The energy producing West South Central states, the agricultural West North Central states (with Missouri as an exception there), and those Mountain states in agriculture and mining will be below the national average.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.



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Product of the month

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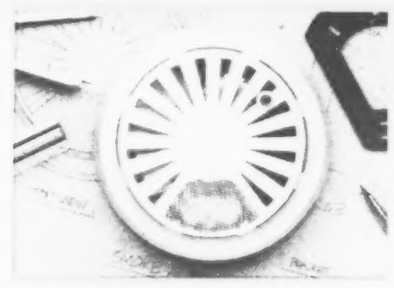

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Waxman purchases Keystone Franklin

By an NHCN staff editor

BEDFORD HEIGHTS, Ohio — Waxman Industries signed a definitive agreement to purchase for an undisclosed amount of cash all the outstanding stock of Keystone Franklin, a manufacturer of plumbing, specialty and floor protective hardware products. The deal was slotted to close on Dec. 30, 1986.

Armond Waxman, president of Waxman Industries, said that Keystone's floor protective hardware products are expected to be an important new category for Waxman, which supplies a wide variety of plumbing, electrical and hardware products.

He also said that the acquired company brings Waxman some important new customers, such as Sears and K mart. Keystone's management team will remain in place after the acquisition is completed.

Keystone, based in Fort Washington, Pa., a suburb of Philadelphia, is expected to achieve 1986 sales of approximately $22 million.

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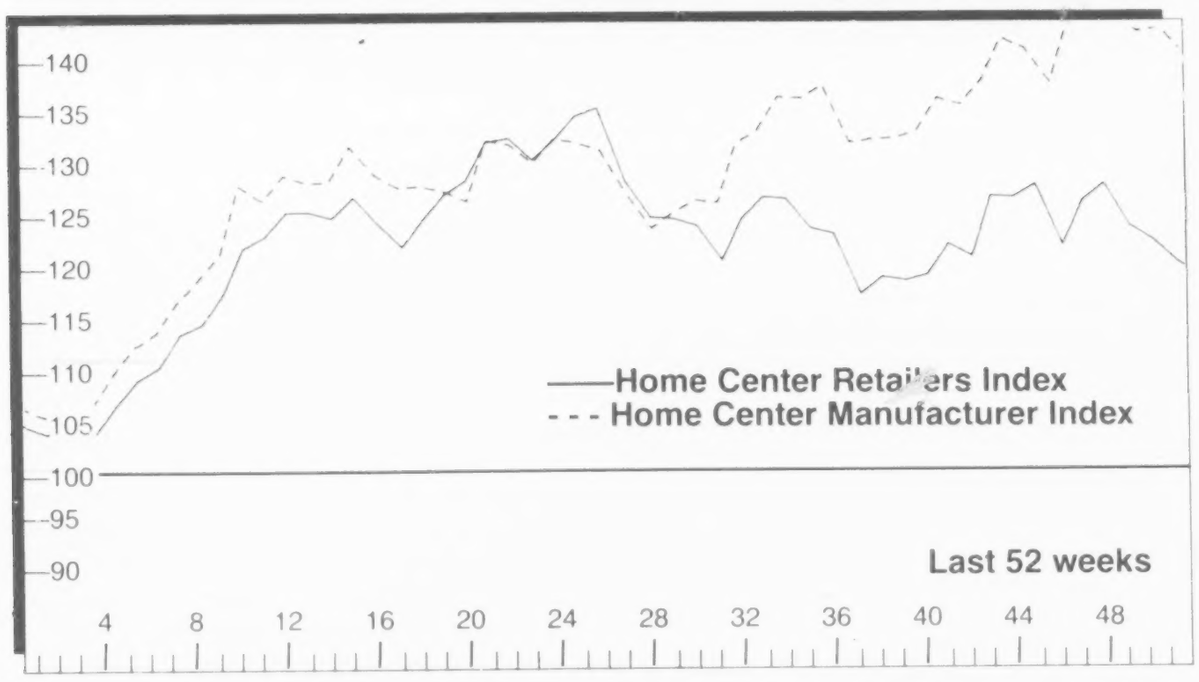
FINANCIAL NEWS

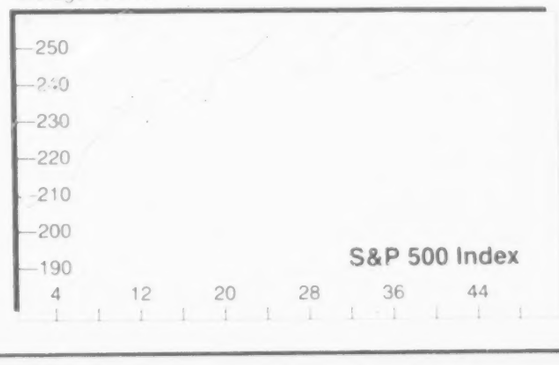


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
1-9-87	(100)	%	%
Color Tile ..... M	859	727.3	3.4
Hechinger B ..... M	2,422	488.0	1.5
Macmillan Bloedel ..... M	1,652	430.0	10.7
Mor-Flo Inds ..... M	221	278.3	3.7
INTERCO Inc ..... N	14,468	274.8	3.0
Waxman Ind ..... M	1,455	258.1	13.6
Hechinger A ..... M	6,122	256.7	1.5
Pope & Talbot ..... N	3,939	245.3	28.5
Stanline Inc ..... M	327	244.6	2.9
Certain-teed ..... N	3,180	200.0	4.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Mich General ..... A	1.63	30.0	3,139
Pope & Talbot ..... N	29.88	28.5	3,939
Owens Ill Fibr ..... N	16.50	26.9	52,109
SW Forest Ind ..... N	20.88	19.3	13,230
Natl Hardgoods ..... M	8.25	17.9	97
Supermkts Gen ..... N	27.25	14.7	15,618
Natl Lumber ..... M	4.56	14.1	465
Waxman Ind ..... M	18.75	13.6	1,455
Am Woodmark ..... M	13.88	13.3	771
Wolohan Lumber ..... M	9.00	12.5	1,280
Losers	$	%	(100)
Allegheny Int ..... N	11.75	- 9.6	4,802
Manville Cp ..... N	1.88	- 6.3	8,103
Svc Merchandise ..... M	7.50	- 1.6	25,064
Forest City Ent ..... A	30.38	.0	36
Std Brd Pnt ..... N	21.75	1.2	2,355
Hechinger B ..... M	17.00	1.5	2,422
Hechinger A ..... M	16.75	1.5	6,122
Walter, Jim ..... N	51.25	2.2	6,980
Lowe's Cos ..... N	27.75	2.3	9,925
Payless Cash ..... N	20.00	2.6	9,047

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 1-09-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-
Retailers																	
Color Tile ..... M	30.00	1.00	3.4	30.00	29.00	33.00	19.50	859	.91	.11	727.3	19.0	.00	.0	.....	fiscal	06-86
Forest City Ent ..... A	30.38	.00	.0	30.38	30.13	33.50	22.00	36	.05	.13	- 61.5	19.0	.30	1.0	.....	9 mos.	10-86
Grace W R ..... N	53.25	3.13	6.2	54.00	48.25	60.75	45.25	26,044	6.27	3.78	65.9	18.1	2.80	5.3	.....	9 mos.	09-86
Hechinger A ..... M	16.75	.25	1.5	16.75	16.50	23.59	15.00	6,122	5.60	1.57	256.7	NA	.16	1.0	.....		00-00
Hechinger B ..... M	17.00	.25	1.5	17.00	16.25	23.59	15.19	2,422	1.47	.25	488.0	19.8	.06	.4	.....	9 mos.	10-86
Home Depot ..... N	19.50	.75	4.0	20.13	17.88	21.75	10.75	8,346	3.31	1.69	95.9	26.4	.00	.0	.....	9 mos.	10-86
INTERCO Inc ..... N	38.88	1.13	3.0	39.00	36.63	47.63	33.50	14,468	5.06	1.35	274.8	12.8	1.60	4.1	.....	6 mos.	08-86
K mart Cp ..... N	48.38	4.38	9.9	48.63	43.25	57.38	33.63	42,578	3.29	2.11	55.9	20.8	1.48	3.1	.....	9 mos.	10-86
Lowe's Cos ..... N	27.75	.63	2.3	28.25	25.50	41.50	22.50	9,925	2.50	2.18	14.7	18.9	.40	1.4	.....	9 mos.	10-86
Mich General ..... A	1.63	.38	30.0	1.75	1.38	5.25	1.00	3,139	1.76	.87	102.3	NE	.00	.0	.....	9 mos.	09-86
Natl Hardgoods ..... M	8.25	1.25	17.9	8.25	7.00	9.31	5.69	97	.79	.44	79.5	19.6	.00a	.0	.....	9 mos.	10-86
Natl Lumber ..... M	4.56	.56	14.1	5.00	4.00	7.00	4.00	465	.83	.44	88.6	NE	.00	.0	.....	*	10-86
Pay N Pak ..... N	12.00	.50	4.3	12.13	10.88	19.38	9.50	3,592	3.59	1.49	140.9	18.2	.40	3.3	.....	9 mos.	11-86
Payless Cash ..... N	20.00	.50	2.6	20.50	18.88	27.50	14.88	9,047	2.61	1.67	56.3	16.3	.16	.8	.....	9 mos.	08-86
Scotty's Inc ..... N	13.50	.88	6.9	13.75	12.00	18.13	12.00	2,161	1.49	.90	65.6	16.1	.52	3.9	.....	3 mos.	09-86
Sears, Roebuck ..... N	43.63	3.00	7.4	43.88	39.00	50.38	36.25	78,906	2.11	.98	115.3	11.9	1.76	4.0	.....	9 mos.	09-86
Svc Merchandise ..... M	7.50	- .13	- 1.6	8.00	7.25	15.00	7.50	25,064	7.52	4.73	59.0	NE	.08	1.1	.....	9 mos.	09-86
Std Brd Pnt ..... N	21.75	.25	1.2	22.63	21.00	27.00	19.38	2,355	2.08	1.27	63.8	17.7	.58	2.7	.....	9 mos.	10-86
Supermkts Gen ..... N	27.25	3.50	14.7	27.50	22.63	32.25	22.50	15,618	4.05	1.48	173.6	16.0	.28	1.0	.....	9 mos.	10-86
Wickes Cos ..... A	3.88	.25	6.9	3.88	3.38	7.00	3.25	70,406	2.97	1.94	53.1	10.5	.00	.0	.....	9 mos.	10-86
Wolohan Lumber ..... M	9.00	1.00	12.5	9.25	7.88	10.75	5.75	1,280	2.18	1.54	41.6	10.8	.20	2.2	.....	9 mos.	09-86
Zayre Corp ..... N	26.63	1.25	4.9	26.88	23.50	43.88	20.75	21,018	3.56	3.09	15.2	18.6	.32	1.2	.....	9 mos.	10-86
Wholesalers																	
Lewis Palmer ..... M	8.00	.75	10.3	8.25	7.25	9.88	7.13	868	2.21	1.56	41.7	25.0	.28	3.5	.....	9 mos.	10-86
Stanline Inc ..... M	9.00	.25	2.9	10.00	8.00	12.13	7.84	327	1.93	.56	244.6	10.8	.32b	3.6	.....	9 mos.	07-86
Manufacturers																	
Allegheny Int ..... N	11.75	- 1.25	- 9.6	13.25	11.38	25.25	11.38	4,802	4.46	1.94	129.9	NE	.00	.0	.....	9 mos.	09-86
Am Standard ..... N	44.75	2.25	5.3	45.25	41.88	46.88	36.00	9,067	2.41	1.15	109.6	8.9	1.60	3.6	.....	6 mos.	06-86
Am Woodmark ..... M	13.88	1.63	13.3	13.88	12.00	14.75	10.00	771	1.12	.61	83.6	12.7	.00	.0	.....	6 mos.	10-86
Armstrng Wrld ..... N	32.38	1.13	3.6	32.75	29.00	35.00	19.81	11,168	2.32	1.26	84.1	13.6	.84	2.6	.....	9 mos.	09-86
Black & Decker ..... N	17.25	.88	5.3	17.38	15.88	25.25	14.50	18,800	3.24	1.78	82.0	35.2	.40	2.3	.....	fiscal	09-86
Boise Cascade ..... N	67.25	6.25	10.2	68.00	59.25	68.00	44.50	11,008	3.76	1.64	129.3	23.3	1.90	2.8	.....	9 mos.	09-86
Certain-teed ..... N	32.38	1.50	4.9	33.00	31.25	38.50	22.63	3,180	1.68	.56	200.0	10.8	.90	2.8	.....	9 mos.	09-86
Champ Intl ..... N	35.50	3.63	11.4	36.25	30.50	36.25	22.50	43,686	4.64	2.93	58.4	20.2	.52	1.5	.....	9 mos.	09-86
DeSoto Inc ..... N	39.50	1.25	3.3	39.63	38.00	42.63	30.25	477	1.00	.59	69.5	29.7	1.40	3.5	.....	9 mos.	09-86
Emhart Corp ..... N	36.25	2.50	7.4	37.50	32.00	42.63	30.25	7,507	2.42	1.19	103.4	NE	1.40	3.9	.....	9 mos.	09-86
Genova ..... M	5.00	.25	5.3	5.13	4.75	5.63	4.38	133	.35	.14	150.0	11.6	.10	2.0	.....	fiscal	09-86
Georgia-Pacifc ..... N	42.38	3.75	9.7	42.88	36.75	42.88	24.75	36,477	3.52	1.85	90.3	22.1	1.00	2.4	.....	9 mos.	09-86
Insilco Corp ..... N	20.75	.63	3.1	21.13	19.75	23.56	16.66	2,650	1.28	1.29	- .8	16.0	1.00b	4.8	.....	9 mos.	09-86
La Pacific ..... N	34.88	3.13	9.8	35.75	30.63	35.75	20.41	13,408	3.63	1.92	89.1	22.9	.80b	2.3	.....	9 mos.	09-86
Macmillan Bloedel ..... M	33.75	3.25	10.7	34.00	29.50	33.75	16.50	1,652	.53	.10	430.0	NA	.75	NA	.....	9 mos.	09-86
Manville Cp ..... N	1.88	- .13	- 6.3	2.00	1.75	8.88	1.63	8,103	3.38	2.48	36.3	.8	.00	.0	.....	9 mos.	09-86
Masco Corp ..... N	30.50	1.13	3.8	30.63	28.50	34.50	19.56	19,936	1.55	.99	56.6	16.4	.36	1.2	.....	9 mos.	09-86
Mor-Flo Inds ..... M	14.00	.50	3.7	14.00	13.50	19.25	12.00	221	.87	.23	278.3	15.6	.01	.1	.....	9 mos.	09-86
Newell Co ..... N	28.00	1.63	6.2	28.88	25.75	36.75	21.13	3,195	2.79	1.12	149.1	13.0	.84	3.0	.....	9 mos.	09-86
Owens Ill Fibr ..... N	16.50	3.50	26.9	16.50	12.75	16.50	8.88	52,109	13.91	NC	NC	NA	.00	.0	.....		00-00
Ply-Gem ..... A	14.50	1.50	11.5	14.63	13.13	15.50	10.00	2,715	3.38	2.25	50.2	16.7	.12	.8	.....	9 mos.	09-86
Pope & Talbot ..... N	29.88	6.63	28.5	30.00	22.88	30.00	17.25	3,939	6.56	1.90	245.3	22.5	.80	2.7	.....	9 mos.	09-86
Potlatch Cp ..... N	63.25	7.00	12.4	63.25	56.00	63.25	35.50	1,824	1.37	.71	93.0	16.7	1.68	2.7	.....	9 mos.	09-86
Sherwin-Wms ..... N	30.50	2.50	8.9	30.50	27.00	32.25	21.44	13,420	2.98	1.54	93.5	17.6	.50	1.6	.....	9 mos.	09-86
SW Forest Ind ..... N	20.88	3.38	19.3	21.00	17.38	21.00	11.88	13,230	10.78	3.60	199.4	NE	.00	.0	.....	9 mos.	09-86
Stanley Works ..... N	28.25	2.38	9.2	28.38	25.13	30.84	21.00	4,793	1.15	.79	45.6	14.6	.76	2.7	.....	9 mos.	09-86
Thos Inds ..... N	17.88	1.25	7.5	17.88	16.13	24.31	15.50	661	.67	.50	34.0	12.9	.62b	3.5	.....	9 mos.	09-86
USG Corp ..... N	39.75	1.00	2.6	40.75	37.50	46.50	22.75	16,798	2.64	2.70	- 2.2	11.6	1.12	2.8	.....	9 mos.	09-86
Walter, Jim ..... N	51.25	1.13	2.2	51.50	47.25	54.63	32.59	6,980	2.20	1.53	43.8	11.0	1.40	2.7	.....	3 mos.	11-86
Waxman Ind ..... M	18.75	2.25	13.6	19.25	15.75	19.00	12.25	1,455	4.62	1.29	258.1	19.5	.08	.4	.....	3 mos.	09-86
Weyerhaeuser ..... N	41.75	2.38	6.0	41.88	37.50	41.88	29.63	50,865	3.90	1.37	184.7	25.5	1.30	3.1	.....	9 mos.	09-86

Company and Market	Financial Update: Latest Quarter: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.
-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers												
Color Tile ..... M	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Forest City Ent ..... A	62.4	- 14.3	4.0	NC	.50	NC	193.7	- 3.2	10.6	194.4	1.33	195.6
Grace W R ..... N	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Hechinger A ..... M	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	149.1	26.0	6.3	14.5	.21	16.7	448.1	23.7	19.6	18.8	64	14.3
Home Depot ..... N	251.5	41.5	3.9	225.0	.15	275.0	737.6	48.4	16.2	189.3	.63	186.4
INTERCO Inc ..... N	625.7	- 2.8	23.4	.9	.74	1.4	1204.9	- 2.3	37.8	9.9	1.20	10.1
K mart Cp ..... N	5686.3	8.9	87.3	12.8	.66	10.0	16877.7	7.7	297.3	41.1	2.24	36.6
Lowe's Cos ..... N	594.3	8.2	12.5	- 19.9	.31	- 26.2	1786.1	11.8	45.1	- 6.8	1.16	- 12.8
Mich General ..... A	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber ..... M	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak ..... N	101.4	17.9	1.9	5.6	.19	5.6	315.2	21.6	5.3	- 23.2	.53	- 23.2
Payless Cash ..... N	418.8	10.4	13.4	8.1	.39	8.3	1122.1	11.1	31.4	16.3	.91	13.8
Scotty's Inc ..... N	118.7	7.6	1.6	- 42.9	.11	- 45.0	118.7	7.6	1.6	- 42.9	.11	- 45.0
Sears, Roebuck ..... N	11171.3	11.2	328.1	25.1	.88	23.9	31311.8	9.3	808.3	7.6	2.17	6.9
Svc Merchandise ..... M	329.5	- 37.6	(30.3)	NE	(.92)	NE	1413.2	- .5	(68.8)	NE	(2.07)	NE
Std Brd Pnt ..... N	85.9	- 4.6	4.2	5.0	.38	8.6	252.9	- 5.1	12.3	- 13.4	1.09	- 13.5
Supermkts Gen ..... N	1374.7	8.8	9.6	- 60.3	.24	- 29.4	4073.4	8.2	41.8	- .7	1.10	- 6.8
Wickes Cos ..... A	1254.8	- 14.5	33.0	114.3	.15	200.0	3361.7	11.6	69.5	252.8	.30	650.0
Wolohan Lumber ..... M	58.7	25.4	1.9	58.3	.33	65.0	141.9	25.2	3.6	63.6	.61	60.5
Zayre Corp ..... N	1316.4	30.5	22.9	- 15.2	.38	- 17.4	3573.6	32.6	48.6	- 16.5	.81	- 19.0
Wholesalers												
Lewis Palmer ..... M	60.0	50.4	.7	16.7	.17	6.3	140.4	27.2	1.2	50.0	.31	40.9
Stanline Inc ..... M	16.4	18.0	.5	66.7	.25	8.7	43.8	5.5	1.1	22.2	.61	- 9.0
Manufacturers												
Allegheny Int ..... N	438.0	- 14.1	(9.7)	NE	(1.60)	NE	1350.9	- 10.7	.6	NE	(2.04)	NE
Am Standard ..... N	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark ..... M	31.9	31.3	2.3	109.1	.33	50.0	60.3	24.1	4.1	86.4	.63	43.2
Armstrng Wrld ..... N	506.0	13.3	35.6	26.7	.73	25.9	1423.9	13.6	92.3	17.9	1.91	17.2
Black & Decker ..... N	437.9	- 3.6	2.2	- 78.4	.03	- 85.0	1791.2	3.4	27.5	- 41.4	.49	- 46.7
Boise Cascade ..... N	959.5	2.7	13.3	- 34.5	.38	- 41.5	2821.2	- .8	69.6	- 18.4	2.28	- 19.7
Certain-teed ..... N	304.5	.1	19.9	8.7	1.04	11.8	845.6	- .3	46.6	8.4	2.45	12.4
Champ Intl ..... N	1110.9	- 16.5	63.8	68.3	.68	83.8	3329.6	- 27.2	136.3	9.0	1.39	13.9
DeSoto Inc ..... N	107.7	- 1.4	(3.8)	- 100.0	(.80)	- 100.0	336.0	1.8	3.5	- 69.0	.73	- 69.2
Emhart Corp ..... N	472.6	12.2	(71.2)	- 100.0	(2.30)	- 100.0	1510.1	17.0	(33.4)	- 100.0	(.98)	- 100.0
Genova ..... M	15.9	15.2	.7	.0	.19	- 5.0	51.8	4.2	1.6	6.7	.43	7.5
Georgia-Pacifc ..... N	1909.0	9.0	97.0	67.2	.90	73.1	5442.0	6.2	213.0	22.4	1.94	24.4
Insilco Corp ..... N	195.5	- 6.5	7.0	18.6	.27	- 3.6	572.9	- 10.1	25.3	12.4	1.14	.0
La Pacific ..... N	407.4	22.6	22.2	96.5	.60	93.5	1124.0	18.5	48.1	157.2	1.31	156.9
Macmillan Bloedel ..... M	657.6	10.1	31.7	162.0	.74	311.1	1969.5	13.6	110.0	388.9	2.73	2630.0
Manville Cp ..... N	511.1	8.4	26.7	NE	.85	NE	1457.2	3.7	63.9	NE	1.88	NE
Masco Corp ..... N	367.0	NC	51.3	NE	.40	NE	1002.0	123.1	148.0	537.9	1.15	101.8
Mor-Flo Inds ..... M	47.2	.4	.3	.0	.10	- 9.1	147.9	- 3.3	1.8	- 51.4	.70	- 51.7
Newell Co ..... N	106.3	15.3	7.4	37.0	.64	6.7	295.9	16.8	16.6	23.9	1.54	4.1
Owens Ill Fibr ..... N	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	59.2	49.9	1.6	45.5	.16	.0	168.9	37.3	6.0	93.5	.72	41.2
Pope & Talbot ..... N	78.1	- 4.8	4.3	115.0	.72	111.8	228.3	- 8.8	7.4	21.3	1.23	21.8
Potlatch Cp ..... N	249.9	4.3	16.7	47.8	1.18	81.5	733.1	1.4	49.8	49.5	3.53	82.9
Sherwin-Wms ..... N	604.1	4.4	32.3	11.0	.70	11.1	1705.1	1.6	69.7	10.1	1.50	8.7
SW Forest Ind ..... N	160.6	- 11.6	4.1	NE	.30	NE	461.6	- 13.1	(7.9)	NE	(.89)	NE
Stanley Works ..... N	388.3	30.7	20.1	3.6	.48	2.1	1115.1	25.9	55.3	5.1	1.32	3.1
Thos Inds ..... N	72.7	- 8.1	2.1	- 57.1	.22	- 56.9	220.6	- 4.9	9.6	- 20.0	.97	- 21.1
USG Corp ..... N	653.9	- .5	41.1	- 37.4	.65	- 33.7	2028.6	7.3	169.0	- .5	2.61	2.8
Walter, Jim ..... N	595.9	6.0	37.9	19.6	1.17	.9	595.9	6.0	37.9	19.6	1.17	.9
Waxman Ind ..... M	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weyerhaeuser ..... N	1397.3	8.2	62.2	61.1	.44	83.3	4201.4	5.9	180.6	32.3	1.21	36.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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National
Home Center News ®

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Builders confident at NAHB convention

By Laura Liebeck
NHCN staff editor

DALLAS — The nation's home builders are confident 1987 will be a good year for new construction, even though industry economists have projected that starts will decline 12% to 1.6 million units this year, according to a survey released last month here at the National Association of Home Builders' (NAHB) annual convention.

Despite this, housing experts maintain 1987 will be a strong year. The starts decline will occur almost entirely in the multifamily housing sector, they said. Single-family construction will remain quite strong, at 1.1 million units, only slightly below its 1986 performance.

According to a poll of conventioneers taken at this year's show, nearly three quarters of the builders asked expected their single-family home construction to be "good" to

(Continued on page 63)

Vice President George Bush and Dave Smith, the outgoing NAHB president, at last month's convention in Dallas, where Bush was a keynote speaker. Bush joked that he supported the housing industry because "I've lived in 28 homes in 17 cities in 42 years of marriage." NHCN photo

Grossman's forms 2 divs.; renovation plan approved

By John Caulfield
NHCN staff editor

BRAINTREE, Mass. — Grossman's Inc. has been split into two divisions, and it appears the groundwork has been laid for stabilizing the company's management structure for the future.

The corporate reshuffling also comes at a time when the first phase of Grossman's three-year, $75 million remodeling and expansion campaign has been approved by company officials and its lenders, which own close to 70% of Grossman's common stock.

Robert Harrow, 58, Grossman's executive vp and gener-

(Continued on page 64)

Robert Harrow, above, will preside over the new eastern division of the newly-restructured Grossman's Inc., overseeing 241 Grossman's and Moore's units. Joseph Vaeth has been named president of the 31-unit western division. NHCN photo

Margins erode as panel makers pass along rising lauan prices

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Steady and frequent increases in lauan hardwood prices since last spring have forced decorator paneling producers to pass their increases on to retailers.

But some home center operators report that, with shelf prices too competitive in some markets, they are unable to pass the increases along to their shoppers and are therefore sustaining margin erosions in a category whose GMROI has been anything but robust.

Lauan hardwood, the principle substrate used to make plywood-backed decorator panels, has increased in price nearly 15% to 20% since the spring of 1986, according to various members of the Plywood Paneling Council (PPC), a year-old marketing group that represents seven of the major wood-backed paneling producers.

Unlike the council's competitors who use a variety of materials ranging from gypsum to hardboard to make their

(Continued on page 63)

Specialty distributor builds national network

By Gary S. Ruderman
NHCN staff editor

INDIANAPOLIS — A new, national network of specialty building materials distributors is forming here.

In the last year, Bunzl Building Materials Service (BBMS)—a U.S. division of the diversified British public company Bunzl PLC—quietly acquired four old-line lumber and building materials distributors in the Midwest that had aggregate sales of about $125 million. In 1987, Bunzl plans to acquire more.

On the face of it, Bunzl's acquisitions aren't exciting. Yet using the same acquisition strategy, another U.S. Bunzl division—Bunzl Distribution USA Inc.,—emerged in just five years as one of the nation's leading distributors of industrial papers.

"The building materials distribution business has the same attributes of the industrial paper market 10 years ago," said Terry Picha, BBMS president.

Picha and others characterize the building materials distribution industry as fragmented. Bunzl's plan to form a loose network will, according to Picha, make Bunzl a "force" in building materials distribution "in the next five years."

Bunzl's building materials acquisition strategy is clearly one of buying specialized product distributors, although specific lines have yet to be defined, according to Brian P. Ford, president of Bunzl Corp., the U.S. subsidiary's headquarters company in Florham Park, N.J.

Bunzl is a relative newcomer to the U.S. In 1980, as part of an aggressive five-year plan to acquire lines of distribution, the British firm—the 94th largest of the top 500 British firms according to the *Financial Times of London*—found its international market share of cigarette filters declining and targeted the U.S. to expand its industrial paper distribution division the following year.

From 1981 to 1985, Bunzl's paper distribution division in the U.S. grew from less than a million in sales to more than $473 million by buying up distribution companies from coast to coast. Last year, U.S.

(Continued on page 63)

Snow brings mixed sales for East Coast

By an NHCN staff editor

NEW YORK — Masten Lumber & Supply Co.'s store in Salisbury, Md., got an unexpected call on Jan. 26, during a week that this market and the entire East Coast were hit by the heaviest snowfall in four years.

The store was asked to reserve its remaining stock

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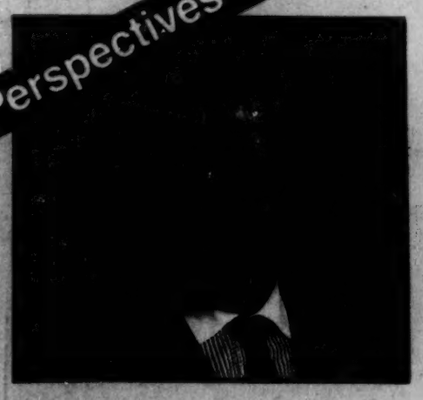

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Merchandising

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NEWSBREAKS

HOMECLUB CO-FOUNDER RESIGNS: George Handgis, executive vp-merchandising of 28-unit HomeClub, has resigned from the Zayre-owned warehouse chain he founded with ex-ceo Robert McNulty in 1983.

COLOR TILE DROPS PAINT: The 686-unit specialty chain next month is closing out its paint department, which included sundries and 12 sku's of Color Tile manufactured paint. "Customers didn't identify us as a paint retailer," vp-advertising Ty Whorton said.

INDUSTRY UPDATE

Sen. Long accepts Lowe's post

NORTH WILKESBORO, N.C. — Russell Long, a member of the U.S. Senate since 1948, has accepted a post on the board of directors of Lowe's.

Long, who represented the state of Louisiana until his retirement last year, was the long-time chairman of the Senate Committee on Finance. He has been a strong proponent of employee stock ownership plans, of which Lowe's has one of the more comprehensive in the industry.

Recently Long signed a $1 million contract to become a senior partner with the Washington law firm Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson and Casey.

With the addition of Long, Lowe's board now numbers 10 directors.

Beaver merges Crown stores

TORONTO — Beaver Lumber's assimilation of Crown Stores Limited, acquired late last summer (*NHCN*, Sept. 22, 1986), is ahead of schedule, according to Beaver president John Lacey.

All signage has been changed to Beaver's, according to Lacey. So far six Crown stores have been closed and a seventh, in the West Edmonton Mall, is about to be shuttered in favor of a nearby Beaver location.

The acquisition was intended to strengthen Beaver's presence in western Canada. An add campaign announcing the consolidation of Crown into Beaver was titled "Now the West is One."

"We didn't want to downplay the quality of Crown," said Lacey. "We didn't want Beaver to be seen as over aggressive. The emphasis was that together we have more stores and more value."

Hechinger reincorporation final

LANDOVER, Md. — Shareholders of Hechinger Co. agreed to a management proposal to reincorporate the firm in the state of Delaware. Formerly incorporated in Washington, Hechinger had said the plan would allow it to indemnify its directors and thus acquire insurance at a lower cost (*NHCN*, Jan. 26).

The reincorporation was expected to be effective by Jan. 30, to coincide with the end of Hechinger's fiscal year.

In other company news, the 61-unit chain announced a quarterly dividend of four cents per share on its Class A common stock, and 16 cents per share on its Class B common stock, both payable on Feb. 27.

Paper co. buys Southwest

PHOENIX — Southwest Forest Products (SFP) here has signed a definitive agreement to be purchased by the Chicago-based Stone Container, a leading paper and linerboard producer.

The merger calls for Stone to pay $32.25 in cash for each of SFP's estimated 13.7 million outstanding shares of common stock. Each SFP shareholder will also receive 25 cents per share in redemption by Southwest of certain shareholder rights.

Stone has also been granted an option to buy up to 2,313,175 shares of SFP stock at $32.25 per share.

Southwest, a paper and forest products firm that recently sold its Knox Lumber chain to Payless Cashways, will be consolidated into existing Stone Container businesses. For the year ended Dec. 31, SFP's sales rose 8.5% to $631.5 million. The company suffered a net loss of $1.7 million, compared to a $9.8 million loss the previous year.

Market run-up continues

NEW YORK — Home center stocks continued their mid-winter party for the two-week period that ended Jan. 23.

Of the stocks tracked by *NHCN*, 41 increased in price over the period, two remained the same and 12 declined.

Forest City increased 16.9% to $35.50, on news the firm was selling its home centers to Handy Andy.

Hechinger B went up by nearly the same percentage, to $19.75. Wickes gained 9.7% to $4.25.

Companies that dropped over 6% included National Hardgoods, Zayre, Scotty's, National Lumber and Michigan General.

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Available throughout the U.S. except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.)

Sequoia names former O'Malley gm to newly created gmm spot

By an NHCN staff editor

IRVINE, Calif. — O'Malley Lumber's loss may prove to be Sequoia Supply's gain.

Sequoia, the $270 million wholesale building material division of Wickes Cos., announced January 14 that it had appointed former O'Malley general manager, Richard Passaglia, to a newly created position of general merchandise manager.

The appointment came exactly one month after Passaglia, and nine other O'Malley buyers and executives were let go, following the Phoenix-based firm's decision reportedly to retrench from its recent thrust into the DIY market (*NHCN*, Jan. 12.)

In appointing Passaglia to general merchandise manager, Sequoia Supply has created not only a new title within its organization, but one that is rare in the wholesale building material field.

His chief assignment, according to Sequoia president Paul Hylbert, will be to develop more complete product and service programs for Sequoia's home center and lumberyard accounts.

Hylbert acknowledged the assignment reflects a "refinement of strategy."

With hardware and building material coops becoming more active than ever in offering structured programs to dealers, Sequoia is anxious to "put more muscle" into serving its home center and lumberyard accounts.

Passaglia, a 25-year building material veteran, is no stranger to the Wickes subsidiary. The former Chicago native has held various management positions for Wickes Lumber and Wickes Europe before joining Grace Home Centers West and subsequently, O'Malley.

The fate of other executives, including Robert Sanderson, director of marketing, and Gary Bartholomew, director of operations, could not be determined at press time.

Handyman may take up to three years to sell all remaining assets

By an NHCN staff editor

SAN DIEGO — Although Handyman Corp. ceased to exist as a public company once shareholders approved a liquidation plan in December, it could take as long as three years for it to sell all its remaining assets.

Despite the shuttering of all but four of its 53 units, Handyman continues to employ about 40 persons—mostly in real-estate-related positions—at its corporate headquarters here.

A liquidation trust was established in early January to distribute cash to shareholders from the disposition of assets, said William E. Tilburg, coo of the trust and former executive vp and treasurer.

"I am the custodian of the residue of the Handyman Corp.," Tilburg said. "My job is to take good care of the assets and liabilities until they are properly disposed of. The real estate department is working on selling off the property and right now we are busily engaged in closing the Handyman books."

At least 10 Handyman properties have been sold, but there "are a number in negotiation" Tilburg said, including previously reported locations in San Diego sought by Dixieline Lumber and additional

(Continued on page 50)

Valspar Corp. buys Enterprise for $60M

By an NHCN staff editor

MINNEAPOLIS — Valspar Corp. acquired Enterprise Paint Co., Wheeling, Ill., from its parent Insilco for $60 million. The Jan. 1 purchase gives Valspar an estimated 19% of the DIY paint market, according to Sam Guerrera, Valspar's vp-consumer brands.

The acquisition includes two Chicago-area plants and one in Florida, and the rights to the Enterprise, BPS, Magicolor and Mary Carter labels. Enterprise, which posted 1986 sales of $110 million, sells to a wide range of chains such as Lowe's and Handy Andy.

Valspar's brands include Colony (carried by Payless Cashways); Minnesota; Masury; and Elliott. About 25% of its $354,248,000 in 1986 sales came from consumers.

Four Handyman units leased to Norfox

By an NHCN staff editor

SAN DIEGO — A liquidating trust established to dispose of the remaining assets of the Handyman Corp. has leased four Handyman locations in California to a home center company headed by Norman Fox, a former Handyman vp who retired in early 1986.

Fox is chairman, and former Handyman vp Steven M. Babin is president of the newly formed Norfox, Inc., based in National City.

Two locations are in southern California in National City and on Sports Arena Boulevard in San Diego, and two units are in northern California, in Yuba City and Redwood City.

The stores are using the Handyman trade name and the merchandise mix duplicates about 75% of the stock keeping units of the original Handyman, Fox said.

Four Seasons cites cash flow problem as root of Chapter 7 liquidation filing

By an NHCN staff editor

LA PALMA, Calif. — Cash-flow problems were blamed by officials with two-unit Four Seasons Garden & Home Centers for their decision to file a Chapter 7 bankruptcy petition and close the doors of their unit here and in San Dimas, Calif.

President Phil Edwards said, "Investors reneged and that left us in a cash-short situation that we couldn't overcome."

Fledling home center

The business shuttered its doors Dec. 31. The fledgling home center business opened its first unit May 3, 1986, in La Palma, and its second store Oct. 22 in San Dimas.

A team of former executives at Homeowners Do-It-Yourself Centers bought by Wickes in 1985 managed Four Seasons. Edwards was formerly vp-merchandising at Homeowners.

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BUSINESS WATCH

*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to November of 1986, while single family housing starts will remain near 1.1 million units as interest rates decline.

Resales to boost building material sales 11% in 1987

By Richard E. Mount
Special to NHCN

Building material and supply store sales will rise at least 11% in 1987 after a 16% jump in 1986. Even after adjusting for inflation, sales will increase 6% in the coming year, more than twice as fast as GNP. The boom in existing home sales is a major factor behind this strength.

Existing home sales account for almost 85% of the *NHCN* Leading Indicator, an index that is a good predictor of future directions in the unit volume of building material sales. Changes in resales today impact building material sales six to nine months later. The strength in resales in late 1986 suggests an 8% gain in the Leading Indicator for 1987.

Richard E. Mount

Existing home sales/1986

Resales lagged the housing boom in the first half of 1986 when mortgage rates dropped about 150 basis points in the wake of oil price weakness. Consumer demand shifted towards new housing. New home sales reached a record high in March 1986 and the third highest level in April. Resales, however, declined in February and March, averaging 3.26 million units for the quarter.

Resales rose between April and July 1986. Lower mortgage rates made them more affordable, and the sharply higher prices for new

(Continued on page 58)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1985		1986				1987		1985	1986	1987
		QIV	QI	QII	QIII	QIV	QI	QII	QIII			
***NHCN* Leading Sales Indicator** (January 1980 = 100)		123.4	124.7	127.9	132.1	136.5	138.2	140.0	142.8	118.5	130.3	141.0
General Economic Outlook												
	GNP $1982 Billion	3622.3	3,655.9	3,651.4	3,686.4	3,706.2	3,717.7	3,734.1	3,759.7	3,585.2	3,677.5	3,750.7
	Real Disposable Income $1982 Bil.	2,540.7	2,581.2	2,625.8	2,605.5	2,600.0	2,615.2	2,629.6	2,646.1	2,528.0	2,603.1	2,638.5
	Housing Permits (000 SAAR)	1,741	1,834	1,822	1,678	1,585	1,550	1,610	1,650	1,739	1,767	1,621
	Housing Starts (000 SAAR)	1,773	1,988	1,908	1,747	1,640	1,650	1,680	1,680	1,742	1,821	1678
	New Home Sales (000 SAAR)	696	800	796	683	675	715	725	750	686	739	740
	Resales (000 SAAR)	3,500	3,257	3,470	3,617	3,650	3,500	3,500	3,525	3,216	3,499	3,513
	Prime Rate %	9.5	9.4	8.6	7.9	7.4	7.0	6.7	6.5	9.9	8.3	6.7
	Mortgage Rate % (HUD)	11.8	10.8	10.1	10.2	9.9	9.6	9.4	9.4	12.5	10.3	9.5
	Consumer Price Index (1967 = 100)	326.5	327.7	326.3	328.4	330.7	333.8	336.9	340.2	322.1	328.3	338.6
	Producer Price Index (1967 = 100)	296.4	292.0	288.0	288.3	290.9	294.1	297.1	300.0	293.9	289.8	298.5
	New Housing Affordability 1980-100)	120.5	128.6	127.1	128.9	132.2	133.4	135.4	134.6	117.6	129.2	134.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	89,200	91,600	84,253	87,134	89,892	92,351	94,849	97,563	80,267	88,220	96,295
	Maintenance and Repair	39,000	36,700	36,493	37,537	38,599	39,331	40,075	40,917	35,358	37,332	40,524
	Additions and Alterations	30,500	34,300	30,775	31,762	32,766	33,787	34,825	35,880	28,775	32,401	33,383
	Major Replacements	19,600	20,600	16,985	17,834	18,527	19,232	19,950	20,768	16,134	18,487	20,388
Constant	**Total Millions $1977 SAAR**	55,213	55,013	50,100	51,300	52,400	53,300	54,200	55,200	47,824	52,203	54.738
	Maintenance and Repair	24,167	22,041	21,700	22,100	22,500	22,700	22,900	23,150	21,066	22,085	23,038
	Additions and Alterations	18,900	20,600	18,300	18,700	19,100	19,500	19,900	20,300	17,150	19,175	20,113
	Major Replacements	12,146	12,372	10,100	10,500	10,800	11,100	11,400	11,750	9,608	10,943	11,588
Retail Trade Activity												
Current	**Total $ millions SAAR**	1,388,316	1,404,932	1,421,400	1,478,632	1,464,476	1,476,907	1,501,555	1,524,331	1,373,941	1,442,360	1,511,711
	Total Minus Automobile	1,082,244	1,095,360	1,098,912	1,112,548	1,126,508	1,135,906	1,155,924	1,177,322	1,061,148	1,108,332	1,165,114
	Building Material, Hardware, Garden Supply, Mobile Home	78,024	83,904	85,316	86,540	88,560	88,558	91,222	94,163	74,062	86,080	92,737
	Building Material and Supply	56,976	61,180	62,580	62,956	63,444	65,641	67,753	70,172	53,841	62,540	69,259
	Hardware	11,572	11,416	11,268	11,832	11,964	12,290	12,522	12,691	11,092	11,620	12,592
Constant	**Total Millions $1982 SAAR**	1,288,244	1,306,567	1,337,991	1,380,017	1,361,037	1,359,000	1,368,000	1,375,000	1,282,772	1,346,403	1,370,250
	Total Minus Automobile	1,009,867	1,027,361	1,048,913	1,054,219	1,061,742	1,060,000	1,068,000	1,077,000	997,299	1,048,059	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	73,605	78,763	82,347	82,367	82,535	81,716	83,341	85,176	70,215	81,503	84,277
	Building Material and Supply	53,749	57,422	60,401	59,924	59,128	60,570	61,900	63,475	59,219	59,219	62,936
	Hardware	10,918	10,717	10,876	11,262	11,150	11,340	11,440	11,480	10,507	11,001	11,445
	Building Materials % of Total Less Automobile ($Current)	5.26	5.59	5.69	5.66	5.63	5.78	5.86	5.96	5.07	5.64	5.94

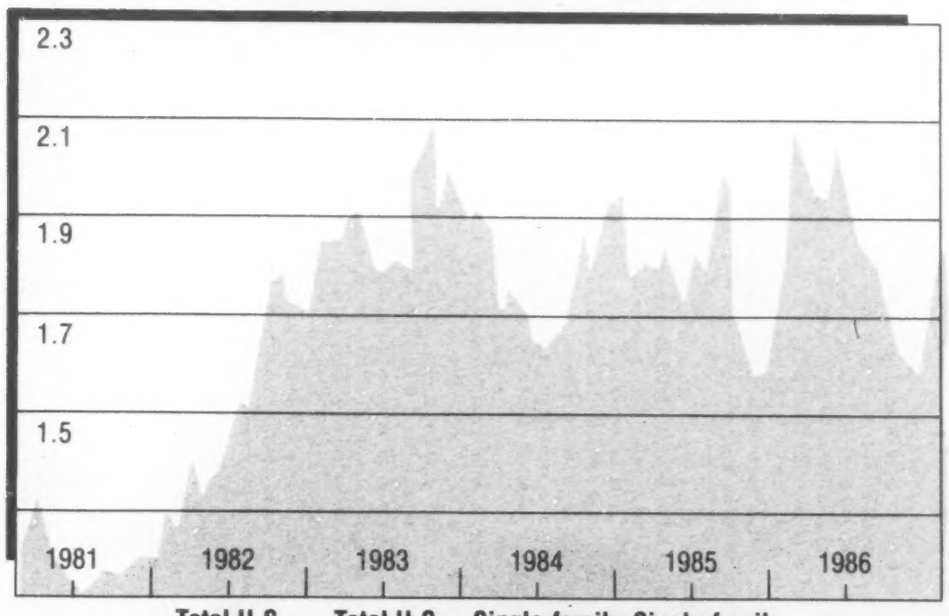
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
February 9, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

National housing starts and permits
(seasonally-adjusted annual rates, in millions)

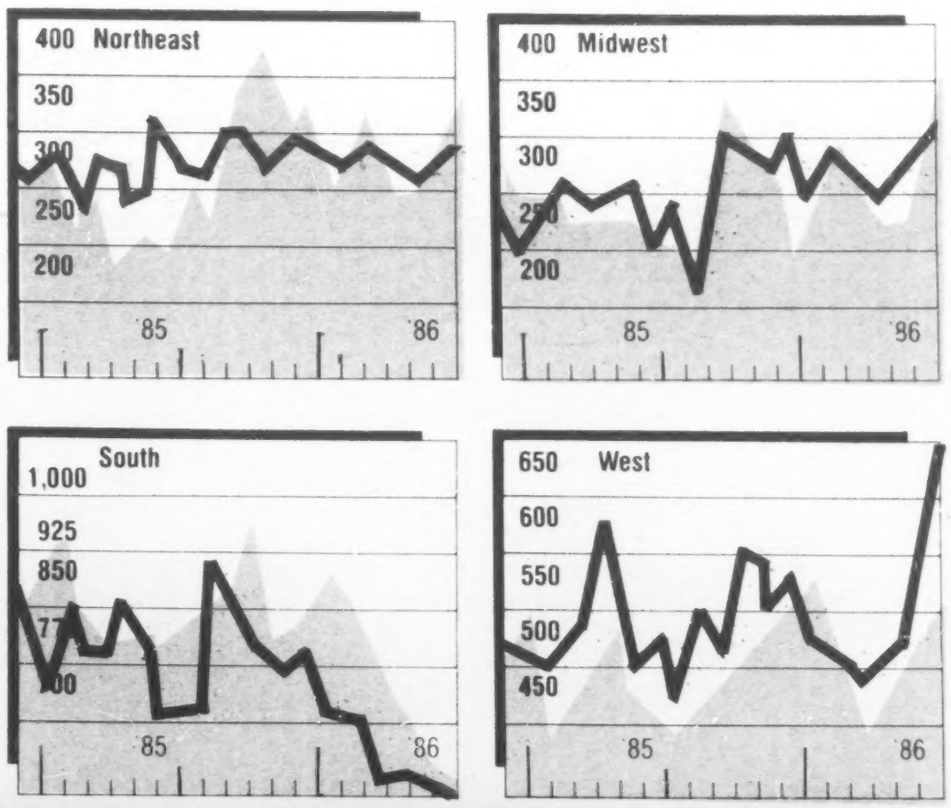


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
Dec. '86	1,802	1,893	1,209	1,144
Nov. '86	1,585	1,613	1,087	991
Dec. '85	1,882	1,839	1,098	963

Key: Permits, Starts

Source: U.S. Commerce Department

Regional housing starts and permits
(in thousands)



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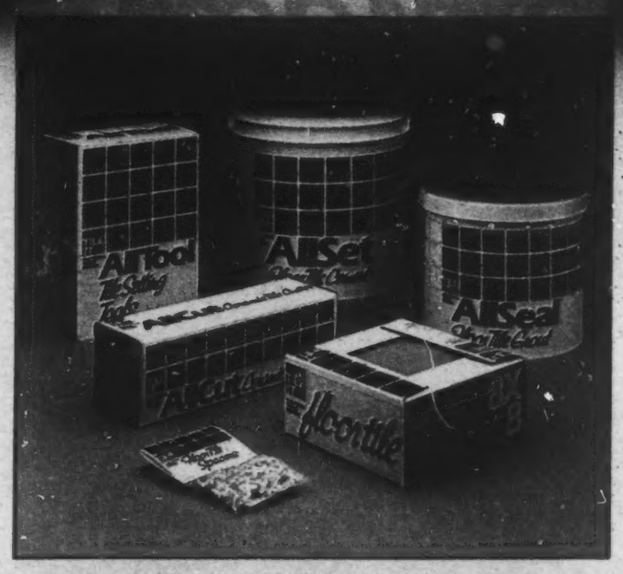

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Housing starts top 1.8 million in 1986

By an NHCN staff editor

NATIONAL REPORT — Housing starts totaled 1,806,600 units in 1986, a 4% increase over 1985, according to preliminary calculations released by the U.S. Commerce Department.

Single-family home construction fell slightly short of the 1.2 million starts the National Association of Home Builders and other housing experts expected for 1986, but still surged 10% over 1985, to 1,179,400 starts.

New home development rose in three of the four regions last year. Activity declined only in the South, where several of the region's states are grappling with depressed prices for oil and agricultural products.

Starts in the 13-state Southern region fell 6% to 733,300 units in 1986, the Commerce Department said.

Despite the consistently large increases posted in the Northeast last year, the region did not post the biggest annual gain. That honor went to the Midwest, which charted a 23% jump in starts from 1985, to 294,700 units.

Regional Housing
(in thousands)

	Dec. '86 starts	% chg.	Dec. '86 permits	% chg.
Northeast	320	+18	292	+12
West	503	+ 5	709	+54
South	613	+ 4	570	−58
Midwest	366	+50	322	+12

Source: U.S. Commerce Department

The starts increase in the Northeast was 17% above last year, at 294,700 units.

The West had the smallest annual starts increase in 1986: 3%, to 484,200 units.

In addition to the preliminary year-end starts figures, the Commerce Department said December's housing starts were up 14% to an annualized 1.8 million units. Single-family starts rose 11%, to an adjusted 1.2 million units.

Housing permits, a barometer of future activity, surged 17% in December to an annualized 1.6 million units. Single-family starts rose 15%, to 1.1 million units in December.

The South was the only region to post a decline in December. Permits there fell 6% to 570,000 units, seasonally adjusted, off 33% from December 1985. Starts, however, rose 4% to an annualized 613,000 units, a 30% decline from last December.

December's totals were advanced by a 50% increase in housing starts in the Midwest, to 366,000 units, a 40% increase over December 1985. Permits here rose 12% from November and 19% from last December.

Starts rose 18% in the Northeast in December and were 13% above a year ago. Permits here rose 12% in from November, an 11% rise from December 1985.

Housing starts rose 5% in the West, an 8% increase from last December.